



ELDERSTREET

draperesprit

# Elderstreet VCT plc

Prospectus  
with Application Form

Fundraising Target £10 million

*The Board believes that the Manager's new co-investment agreement with Draper Esprit will bring substantial benefits to both existing and prospective new investors*

[www.elderstreet.com](http://www.elderstreet.com)

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, you should consult a person authorised under the Financial Services and Markets Act 2000 (“FSMA”) before taking any action.**

This document constitutes a prospectus dated 12 December 2016 (the “**Prospectus**”) issued by Elderstreet VCT plc the “**Company**”), prepared in accordance with the Prospectus Rules made under Section 84 of FSMA and which has been approved by the Financial Conduct Authority (the “**FCA**”) in accordance with section 87A of FSMA.

The Directors, whose names are set out on page 57 of this document, together with the Company, accept responsibility for the information contained herein. To the best of the knowledge of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Applications will be made to the UK Listing Authority for all the New Ordinary Shares to be admitted to the premium segment of the Official List. Applications will also be made to the London Stock Exchange for all such New Ordinary Shares to be admitted to trading on the London Stock Exchange’s main market for listed securities. It is expected that Admission will become effective and that dealings on the London Stock Exchange in the New Ordinary Shares will commence 10 Business Days following allotment. No application is currently intended to be made for the New Ordinary Shares to be admitted to listing or dealt with on any other exchange. The existing Ordinary Shares are already admitted to the premium segment of the Official List and to trading on the London Stock Exchange’s main market for listed securities.

**Your attention is drawn to the “Risk Factors” on pages 14 to 16 of this document.**

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## **ELDERSTREET VCT PLC**

*(Incorporated in England and Wales under the Companies Act 1985 No. 03424984)*

### **OFFER FOR SUBSCRIPTION**

for the tax years 2016/17 and 2017/18

**Target Fund Raise: £10 million**

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The Offer will be open from 10.00 a.m. on 12 December 2016 until the earlier of 4.00 p.m. on 1 May 2017 (or such later date as the Board may decide) and the date on which the relevant Maximum Subscription is reached. Applicants who wish to have some or all of their New Ordinary Shares allotted in the tax year 2016/17 must return their completed Application Form by 10.00 a.m. on 5 April 2017. The Offer is not being underwritten. The Offer is not subject to reaching a minimum subscription level.

Early Investors will receive a majority rebate of the Promoter’s Fee and a full rebate of their applicable Adviser Charge or Commission (provided their financial intermediary passes this saving on as additional New Ordinary Shares), subject to a cumulative maximum rebate of 4.5%, where their Application Form is received and accepted by the Company before 4.00 p.m. on 31 January 2017. A lower rebate applies for application received and accepted by the Company before 4.00 p.m. on 28 February 2017.

The minimum subscription per Investor under the Offer is £6,000. Completed Application Forms in respect of the Offer should be sent by post or delivered by hand to The City Partnership (UK) Ltd, 110 George Street, Edinburgh EH2 4LH.

Panmure Gordon (UK) Limited (“**Panmure Gordon**”) who is acting as sponsor and Elderstreet Investments Limited (“**Elderstreet**”) who is acting as promoter in connection with the Offer, are each authorised and regulated in the United Kingdom by the FCA. Neither Panmure Gordon nor Elderstreet are advising any other person or treating any other person as a customer or client in relation to the Offer, nor, subject to the responsibilities and liabilities imposed by FSMA and the regulatory regime established thereunder, will they be responsible to any such for providing the protections afforded to their respective customers or clients or for providing advice in connection with the Offer.

The Offer is not being made, directly or indirectly, in or into the United States, Canada, Australia, Japan or the Republic of South Africa or their respective territories or possessions, and documents should not be distributed, forwarded or transmitted in or into such territories. The New Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) and may not be offered, sold or delivered, directly or indirectly, in or into the United States, Canada, Australia, Japan or the Republic of South Africa.

Copies of this document are available (and any supplementary prospectus published by the Company will be available) for download at [www.elderstreet.com](http://www.elderstreet.com), and may be obtained free of charge at the Company's registered office, where they are also on display, at Ergon House, Horseferry Road, London SW1P 2AL, and at its principal place of business at 10-11 Charterhouse Square, London EC1M 6EH during the period in which the Offer remains open.

**The Company and the Directors consent to the use of the Prospectus by financial intermediaries, from the date of the Prospectus until the close of the Offer, for the purpose of subsequent resale or final placement of securities by financial intermediaries for New Ordinary Shares until the close of the Offer, and accept responsibility for the information contained therein for such purpose. The Offer is expected to close on or before 4.00 pm on 1 May 2017, unless previously extended by the Directors. There are no conditions attaching to this consent. Financial intermediaries may use the Prospectus only in the UK.**

**In the event of an offer being made by a financial intermediary, information on the terms and conditions of the Offer will be given to Investors by the financial intermediaries at the time that the Offer is introduced to Investors. Any financial intermediary using the Prospectus must state on its website that it is using the Prospectus in accordance with the consent set out in the paragraph above.**

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## SUMMARY

Summaries are made up of disclosure requirements known as “Elements”. These Elements are numbered in Sections A to E.

This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some of the Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted into the summary because of the type of security and issuer, it is possible that no relevant information can be given regarding that Element. In these instances, a short description of the Element is included, together with an appropriate ‘Not applicable’ statement.

<b>A</b>		<b>Introduction and warnings</b>
A1	Warning	This summary should be read as an introduction to the Prospectus. Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in this Prospectus is brought before a court, the claimant investor might, under the national legislation of the EEA States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with other parts of the Prospectus or it does not provide, when read together with other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A2	Consent for intermediaries	The Company and the Directors consent to the use of the Prospectus by financial intermediaries in the UK, from the date of the Prospectus until the close of the Offer, for the purpose of subsequent resale or final placement of securities by financial intermediaries. The Offer is expected to close on 1 May 2017, subject to the Offer not being fully subscribed at an earlier date or unless previously extended by the Directors. There are no conditions attaching to this consent.  <b>In the event of an offer being made by a financial intermediary, financial intermediaries must give investors information on the terms and conditions of the Offer at the time they introduce the Offer to investors.</b>
<b>B</b>		<b>Issuer</b>
B1	Legal and commercial name	Elderstreet VCT plc (the “ <b>Company</b> ”).
B2	Domicile / Legal form / Legislation / Country of incorporation	The Company is a public limited liability company which is registered in England and Wales with registered number 03424984. The principal legislation under which the Company operates is the Companies Act 2006 (the “ <b>Act</b> ”) and the regulations made thereunder.
B5	Group description	Not applicable. The Company is not part of a group.
B6	Material Shareholders / Different voting rights / Control	All Shareholders have the same voting rights in respect of the existing share capital of the Company.  As at 11 December 2016 (being the latest practicable date prior to the publication of this document), the Company is not aware of any person who, directly or indirectly, has or will have an interest in the capital of the Company or voting rights which is notifiable under UK law (under which, pursuant to the Act and the Listing Rules and Disclosure and Transparency Rules of the FCA, a holding of 3% or more will be notified to the Company).
B7	Selected financial information and statement of any significant changes	Certain key historical information of the Company is set out below:

			<b>Unaudited six months to 30 June 2016</b>	<b>Audited year end to 31 Dec 2015</b>	<b>Unaudited six months to 30 June 2015</b>	<b>Audited year end to 31 Dec 2014</b>	<b>Audited year end to 31 Dec 2013</b>
		<b>Net Assets</b>	25,581,000	24,458,000	23,394,000	23,769,000	23,977,000
		<b>Total return before tax</b>	162.4p	161.6p	156.0p	151.8p	140.0p
		<b>Net asset value per Share</b>	68.9p	70.6p	67.5p	70.8p	78.0p
		<b>Cumulative Dividends paid per Share</b>	93.5p	91.0p	88.5p	81.0p	62.0p
		As at 30 June 2016, the Company's net asset value per Share (unaudited) was 68.9p. Save as described in the table above, in the period from 1 January 2013 to 30 June 2016, and thereafter to the date of publication of the Prospectus, there has been no significant change to the Company's financial condition.					
B8	Key pro forma financial information	Not applicable. There is no pro forma financial information in the Prospectus which relates to the Offer.					
B9	Profit forecast	Not applicable. There is no profit forecast in the Prospectus.					
B10	Qualifications in the audit report	Not applicable. There were no qualifications in the audit report for periods ended 31 December 2015 and 31 December 2014.					
B11	Insufficient working capital	Not applicable. The Company is of the opinion that its working capital is sufficient for its present requirements, that is for at least the twelve month period from the date of this document.					

B34	Investment objective and policy, including investment restrictions	<p><b>Investment Policy</b></p> <p>The Company will continue to invest predominantly in a diversified portfolio of companies, with a particular emphasis on smaller unquoted companies, through investments which will usually have the following characteristics:</p> <ul style="list-style-type: none"> <li>• Companies which meet the VCT criteria with proven sales and the ability to grow, which are seeking growth capital.</li> <li>• A strong, balanced and well-motivated management team.</li> <li>• Investments which, where appropriate, include loan notes and preference shares to enhance the security of the portfolio and to provide income.</li> <li>• Investments where Draper Esprit plc and Elderstreet Investments Limited can typically act as lead investor and have an active involvement in the business through a board position.</li> </ul> <p>The Company has a general portfolio mix by sector and its average deal size is approximately £1.0 million, although it will syndicate larger deals of up to £2.0 million. Within qualifying investments, 30% of investments will usually be into early stage companies (typically revenues of between £0.5 and £1.5 million) with high growth potential and 70% into later stage investments (typically revenues exceeding £1.5 million) that meet the new VCT age limit restrictions. Because of the new VCT rules it is likely that a higher percentage of investments than in the past will be in companies which have not yet reached the stage of profitability</p> <p>The target investment size has historically been between £0.5 million and £1.0 million across a broad range of industries, although this may rise as further capital is raised and providing appropriate investments are sourced. The Company will aim to have material influence, including board representation, in relation to all of its portfolio companies.</p> <p><b>Risk Diversification</b></p> <p>The Company's portfolio will be diversified by investing in a portfolio of VCT qualifying investments covering a number of sectors. Funds not invested in VCT qualifying investments have generally been invested in fixed income securities and going forward will be generally held in cash. The maximum that the Company will hold in a single investment (by value at the time of investment) is 15% of funds invested.</p> <p><b>VCT Qualifying Investments</b></p> <p>It is the Directors' intention that qualifying investments made by the Company will be in companies supplying products and services to a range of markets. In particular, the Directors have specific experience and expertise in certain markets, such as information technology, manufacturing and retailing, and, where appropriate, the Company will invest in these sectors.</p> <p>It is intended that most of the Company's qualifying investments will be established businesses, (typically revenues exceeding £1.5 million), requiring development finance. Investments in early stage businesses should represent only a small proportion of the portfolio at any time; such investments could be made, for example, in a company whose management team the Company has previously backed or a start-up company which can demonstrate substantial and verifiable first year sales prospects.</p> <p>The Manager will seek to ensure that the businesses in which the Company invests will have: strong management teams; opportunities for growth; products or services able to sustain a competitive advantage; and reasonable prospects of achieving a stock market flotation or trade sale.</p>
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		<p>In relation to investments to be made by the Company:</p> <ol style="list-style-type: none"> <li>1. In order to enhance the security of the portfolio and to provide income, the Company's investments may include, where appropriate, loan notes and preference shares;</li> <li>2. The Company's policy is, where appropriate, to have a representative of the Manager, or an experienced individual well known to it, appointed to the board of each portfolio company as a non-executive director in order to play an active role in seeking to develop the full potential of the company concerned; and</li> <li>3. The Manager will endeavour to add value to the portfolio companies in a number of ways, including strategic planning, assisting with the development of the management team, advising on acquisitions or mergers and helping to structure the company for a stock market flotation or trade sale.</li> </ol> <p><b>Investments in AIM traded companies</b></p> <p>Companies whose shares are traded on AIM will be considered for investment. Such investments will normally only be made where most of the same criteria for unquoted investments are met.</p> <p><b>Non-Qualifying Investments</b></p> <p>The approach historically adopted by the manager to non-Qualifying Investments was to invest in short-dated fixed interest securities of high credit quality (to provide protection for the capital invested) principally consisting of financial instruments and fixed income securities issued by the UK Government, major companies and institutions as well as holding such funds in cash and bonds within a balanced portfolio, with a focus on higher yields while maintaining liquidity and downside protection. The Company also had shareholder approval to invest in property, equities, commodities and hedge funds however this was de-minimis.</p> <p>Following recent changes to the VCT Rules, new funds raised will generally be held in cash or near cash assets pending investment. After the Company has satisfied the VCT investment qualification targets required by HMRC, the remaining cash will be invested in accordance with HMRC rules for Non-Qualifying Investments. Currently this includes cash, listed shares and securities, liquid AIFs, UCITS or other money market funds.</p> <p><b>Venture Capital Trust regulations</b></p> <p>The Company will be managed as to maintain its VCT status by satisfying a number of tests set out in Part 6 of the Income Tax Act 2007.</p>
B35	Borrowing limits	It is not the Company's intention to have any borrowings. The Company does, however, have the ability to borrow a sum equal to 10% of the aggregate amount paid up on the issued share capital of the Company and the amounts standing to the credit of the consolidated reserves of the Company.
B36	Regulatory status	The Company is subject to the Act and the regulations made thereunder and in the UK generally, its shares are listed on the premium segment of the Official List and, as a qualifying VCT, it is subject to regulation by HMRC in order to retain such status.
B37	Typical investor	A typical investor in the Company will be a UK higher-rate income tax payer, over 18 years of age and with an investment range of between £6,000 and £200,000 who is capable of understanding and is comfortable with the risks of VCT investment.
B38	Investments of 20% or more in a single company	Not applicable. The Company does not and will not hold any investments which represent more than 20% of its gross assets in a single company or group.
B39	Investments of 40% or more in a single company	Not applicable. The Company does not and will not hold any investments which represent more than 40% of its gross assets in a single company or group.



B40	Service providers	<p>Elderstreet Investments Limited (“<b>Elderstreet</b>”) acts as the investment manager to the Company and receives an annual fee, (excluding Performance Incentive Fees), of 2.0% of the Net Asset Value of the Company subject to a costs cap of 3.5% of the Net Asset Value above which Elderstreet and Downing will bear any costs pro-rata to fees receivable by each from the Company. Downing LLP acts as the Company’s administration and receives a fee of £50,000 per annum.</p> <p>In addition, Elderstreet will be entitled to a promoter’s fee of either 3.0% or 5.5% (depending on the category of Investor) of amounts subscribed pursuant to the Offer.</p>										
B41	Regulatory status of Elderstreet	<p>Elderstreet Investments Limited is a private company registered in England and Wales with registered number 01825358. Elderstreet is authorised and regulated by the Financial Conduct Authority, with registration number 148527.</p>										
B42	Calculation of net asset value	<p>The Company’s net asset value is formally calculated every six months by the Manager, is approved by the Board and is published on an appropriate regulatory information service. If valuations are suspended, shareholders will be notified in a similar manner.</p>										
B43	Umbrella collective investment scheme	<p>Not applicable. The Company is not part of an umbrella collective investment scheme</p>										
B44	Absence of financial statements	<p>Not applicable. The Company has commenced operations and published financial statements.</p>										
B45	Investment portfolio	<p>The Company invests in a portfolio of smaller, UK-based unquoted companies. A summary of the Company’s portfolio is set out below (extracted from the latest unaudited interim accounts):</p> <table border="1"> <thead> <tr> <th></th> <th>NAV per Share at 30 June 2016 (p)</th> <th>Number of investments as at 30 June 2016</th> <th>Net assets as at 30 June 2016 (£)</th> </tr> </thead> <tbody> <tr> <td></td> <td>68.9p</td> <td>24</td> <td>£25,581,000</td> </tr> </tbody> </table>				NAV per Share at 30 June 2016 (p)	Number of investments as at 30 June 2016	Net assets as at 30 June 2016 (£)		68.9p	24	£25,581,000
	NAV per Share at 30 June 2016 (p)	Number of investments as at 30 June 2016	Net assets as at 30 June 2016 (£)									
	68.9p	24	£25,581,000									
B46	Most recent NAV per Ordinary Share	<p>As a 30 June 2016, the unaudited net asset value per Ordinary Share was 68.9p.</p>										
<b>C</b>		<b>Securities</b>										
C1	Description and class of securities and authority	<p>The securities being offered pursuant to the Offer are Ordinary Shares of 5 pence each (“<b>New Ordinary Shares</b>”) (ISIN: GB0002867140).</p>										
C2	Currency	<p>The Company’s share capital currently comprises Ordinary Shares of 5 pence each (GBP).</p>										
C3	Shares in issue	<p>As at the date of this document 37,034,366 Ordinary Shares are in issue (all fully paid up).</p> <p>The maximum number of New Ordinary Shares to be issued pursuant to the Offer is approximately 14.2 million.</p>										
C4	Description of the rights attaching to the securities	<p>The New Ordinary Shares will rank equally in all respects with each other and with the existing Shares.</p>										
C5	Restrictions on transfer	<p>The New Ordinary Shares will be listed on the premium segment of the Official List and, as a result, will be freely transferable.</p>										
C6	Admission	<p>Application will be made to the UKLA for the New Ordinary Shares to be listed on the Official List and will be made to the London Stock Exchange for such shares to be admitted to trading on its main market for listed securities. It is anticipated that dealings in the New Ordinary Shares will commence 10 Business Days following allotment.</p>										

C7	Dividend policy	The Board has a stated objective of paying annual dividends of between 4 pence and 5 pence per Ordinary Share. However, it should be noted that if the Offer is fully subscribed the dilution on existing shareholders could be such that this target level of dividends may reduce slightly to between 3 and 4 pence per annum (equivalent to a 6% to 8% tax free return based on the Estimated Offer Price after factoring in initial tax reliefs).
<b>D</b>		<b>Risks</b>
D2	Key information on the key risks specific to the Company	<p><i>The Company</i></p> <p>Most of the Company's investments will be in small companies which may have limited trading records and may not produce hoped for returns. Consequently, Investors could get back less than they invested.</p> <p>The past performance of the Company and/or investments managed by the Manager should not be regarded as an indication of the future performance of the Company.</p> <p>Although it is intended that the Company will be managed so as to retain its VCT status, there is no guarantee that such status will be maintained. If the Company fails to meet the qualifying requirements for a VCT, this could result in:</p> <ul style="list-style-type: none"> <li>• the loss of income tax relief received if Investors have not held their New Ordinary Shares for the required qualifying period;</li> <li>• the loss of income tax relief on dividends paid (or subsequently payable) to Investors;</li> <li>• the loss of tax relief previously obtained in relation to corporation tax on capital gains made by the Company;</li> <li>• a liability to tax on capital gains on any disposal of New Ordinary Shares; and</li> <li>• the loss of the Company's listing on the Official List and the ability of the New Ordinary Shares to be traded on the London Stock Exchange.</li> </ul> <p>Most of the Company's investments may be in companies whose securities are not publicly traded or freely marketable and may, therefore, be difficult to realise.</p> <p>Some of the Company's legacy investments are in established companies that may be relatively mature with limited opportunities for further growth.</p> <p>In order to comply with VCT legislation, the Qualifying Investments in which the Company invests must have gross assets of not more than £15 million immediately prior to investment and £16 million immediately post investment (these tests are applied on a group basis if applicable) and be less than seven years old from their first commercial sale, or ten years for knowledge intensive companies. Such companies generally have a higher risk profile than larger companies.</p> <p>There are further restrictions on the use of VCT funds received by investee companies. These changes may mean that there are fewer opportunities for investment, and that the Companies may not necessarily be able to provide further investment funds for companies already in its portfolio. The penalty for contravention of these rules can include loss of VCT status with a resultant clawback of VCT tax reliefs from investors.</p> <p>There is no guarantee that the Company's objectives will be met or that suitable investment opportunities will be available. This would affect and/or reduce the level of returns which would otherwise have been achievable.</p> <p>The Company's ability to obtain maximum value from its investments (for example, through sale) may be limited by the requirements imposed in order to maintain the VCT tax status of the Company (such as the obligation to have at least 70% by value of its investments in Qualifying Investments).</p>

		<p>Changes in legislation concerning VCTs in general, Qualifying Investments and qualifying trades in particular, may restrict or adversely affect the ability of the Company to meet its objectives and/or reduce the level of returns which would otherwise have been achievable.</p> <p>Any targets or estimates referred to in this document are not projections or forecasts, and no projections or forecasts should be inferred or implied from such targets or estimates. Any targets or estimates referred to may not be realised.</p>
D3	Key information on the key risks specific to the securities	<p><i>The Securities</i></p> <ul style="list-style-type: none"> <li>• The value of the New Ordinary Shares depends on the performance of the underlying assets and the value of the New Ordinary Shares, and the income from them, can fluctuate. In addition, there is no guarantee that the market price of the New Ordinary Shares will fully reflect their underlying Net Asset Value or the ability to buy and sell at that price.</li> <li>• Although the New Ordinary Shares will be listed on the premium segment of the Official List and traded on the London Stock Exchange's main market for listed securities, it is unlikely that a liquid market in the New Ordinary Shares will develop and there may never be two competitive market makers. It may, therefore, prove difficult for Investors to sell their New Ordinary Shares.</li> <li>• There is a limited secondary market for VCT shares and most trade at a discount to their net asset value.</li> </ul>
<b>E</b>		<b>Offer</b>
E1	Offer net proceeds	The Company is proposing to raise up to £10 million under the Offer. If the Offer is over-subscribed, the Offer may be increased at the discretion of the Board to no more than £20 million. The total initial expenses of the Offer (assuming full subscription (but no increase) by Execution-Only Investors, Professional Client Investors and/or direct investors only) will be 5.5% of the gross proceeds and the total net proceeds are therefore estimated to be £9.45 million.
E2a	Reasons for the Offer and use of proceeds	<p>Elderstreet recently reached a co-investment agreement with Draper Esprit to share deal flow, management experience and investment opportunities going forward. Draper Esprit is one of the leading venture capital investors involved in the creation, funding and development of high-growth technology businesses with an emphasis on digital technologies in the UK, the Republic of Ireland and Europe. The Board believe this agreement will bring substantial benefits to both existing and prospective new investors. There will be no change to the generalist investment policy of the Company. However, the ability to join a funding syndicate of Draper Esprit funds will bring access to larger deals in companies that have higher revenue in high growth sectors.</p> <p>The additional funds raised under the Offer will be invested in accordance with the Company's investment policy.</p>
E3	Terms and conditions of the Offer	<p>New Ordinary Shares issued under the Offer will be at an offer price determined by the following pricing formula:</p> $\text{PRICE PER NEW ORDINARY SHARE (IN PENCE)} = \text{NET ASSET VALUE} / X$ $X = 1 - \text{NET TOTAL FEES (\%)}$ <p>Net Total Fees are the Promoter's Fee and Commission/Adviser Charge, each expressed as a percentage of the amount subscribed, adjusted for any applicable Early Investment Incentive.</p> <p>The proceeds of the Offer will be invested in accordance with the Company's investment policy.</p>
E4	Description of any interest that is material to the issue	Not applicable. There are no interests that are material to the issue.

E5	Name of persons selling securities	Not applicable. No entity is selling securities in the Company.
E6	Amount and percentage of immediate dilution	The New Ordinary Shares will not dilute the NAV of the existing Shares as they will be issued at a price equal to NAV plus costs.
E7	Expenses charged to the investor	<p>For applications received from Execution-Only Investors, Professional Client Investors and/or direct investors only, the costs of the Offer will be 5.5% of the Net Asset Value of each New Ordinary Share issued pursuant to that Investor's application (save for permissible trail commission which the Company will be responsible for).</p> <p>For applications received from Retail Client Investors, the Investor will pay a Promoter's Fee of 3.0% and may facilitate any agreed Adviser Charge which the Investor has negotiated with their financial intermediary via a reduction in the number of New Ordinary Shares the investor will receive, calculated in accordance with the Pricing Formula.</p>

## OFFER STATISTICS

### Key Statistics

Fundraising Target	£10,000,000*
Estimated Offer Price	70.3 pence**
Estimated number of New Ordinary Shares to be issued pursuant to the Offer	14,225,000
Net Proceeds of the Offer if fully subscribed	£9,450,000*
Estimated total expenses of the Offer	£550,000***

### Early Investment Incentives

An Investor whose Application Form is received and accepted before 4.00 p.m. on 31 January 2017 will receive:

- (1) 2.0% rebate of Promoter's Fee as additional New Ordinary Shares; and
- (2) Full rebate of initial commission\*\*\*\*  
(subject to a cumulative maximum rebate of 4.5%)

An Investor whose Application Form is received and accepted before 4.00 p.m. on 28 February 2017 will receive:

- (1) 1.5% rebate of Promoter's Fee as additional New Ordinary Shares; and
- (2) Full rebate of initial commission\*\*\*\*  
(subject to a cumulative maximum rebate of 4.0%)

\* assuming the size of the Offer is not increased at the discretion of the Board in which case up to £20 million could be raised for the issue of up to 28,450,000 New Ordinary Shares.

\*\* assuming, for the purposes of the Pricing Formula, a NAV of 66.4 pence per Ordinary Share (being the unaudited NAV as at 30 June 2016 of 68.9p adjusted for the 2.5p interim dividend payable in December 2016, and total costs of 5.5%).

\*\*\* assuming Maximum Subscription under the Offer and the payment of a Promoter's Fee and commission totaling 5.5% in relation to all applications.

\*\*\*\* Commission can be rebated for additional New Ordinary Shares by the Investor's financial intermediary on the application.

Note: The New Ordinary Shares will be issued based on the Application Amount and the Pricing Formula set out on page 38. Accordingly, if an updated NAV per Ordinary Share is announced after publication of this document, this updated NAV will be used to calculate the number of New Ordinary Shares issued. Should there be a material movement in the NAV between the normal reporting dates, the Company may announce an updated unaudited NAV, which will be used to calculate the number of New Ordinary Shares to be allotted.



## EXPECTED TIMETABLE

Offer opens	12 December 2016
Closing date of 2016/17 Offer	5 April 2017
Initial closing date of 2017/18 Offer	1 May 2017
First allotment (2016/17 tax year)	5 April 2017
First allotment (2017/18 tax year)	by 28 April 2017
Dealings commence	within 10 Business Days of allotment
Share certificates despatched and CREST accounts credited	within 10 Business Days of allotment
Deadline for receipt of Application Forms	10.00 a.m. on 5 April 2017 (for shares allotted in 2016/17 tax year)
	4.00 p.m. on 1 May 2017 (for shares allotted in 2017/18 tax year)
Deadline for Early Investment Incentives	4.00 p.m. on 31 January 2017
	4.00 p.m. on 28 February 2017

The Directors reserve the right to make an allotment of New Ordinary Shares on any day at the Directors' absolute discretion from the date of the Prospectus until 1 May 2017 (or such later date as they may determine). The Offer will close earlier than the relevant date stated above if fully subscribed by an earlier date.

## RISK FACTORS

Prospective Investors should consider carefully the following risk factors, as well as the other information in this Prospectus, before investing. Prospective Investors should read the whole of this Prospectus and not rely solely on the information in the section entitled "Risk Factors". The business and financial conditions of the Company could be adversely affected if any of the following risks were to occur and Investors could lose part or all of their investment.

The Company's business, financial condition or results could be materially and adversely affected by any of the risks described below. In such cases, the market price of the New Ordinary Shares may decline, or returns derived from those shares may be reduced, due to any of these risks and Investors may lose all or part of their investment. Additional risks and uncertainties not presently known to the Directors, or that the Directors currently deem immaterial, may also have an adverse effect on the Company. The Directors consider the following to be all the material risks for potential Investors in the Company, but the risks listed do not necessarily comprise all those associated with an investment in the Company:

### 1. Risks relating to the Company

- Although it is intended that the Company will be managed so as to retain its VCT status, there is no guarantee that such status will be maintained. Further details of the taxation implications to an Investor of an investment in the Company are set out in Part 6 of this document. However, if the Company fails to meet the qualifying requirements for a VCT, this could result in:
  - (a) the loss of income tax relief received if Investors have not held their New Ordinary Shares for the five-year holding period;
  - (b) the loss of income tax relief on dividends paid (or subsequently payable) to Investors;
  - (c) the loss of tax relief previously obtained in relation to corporation tax on capital gains made by the Company; and
  - (d) a liability to tax on capital gains on any disposal of New Ordinary Shares.
  
- Most of the Company's investments may be in companies whose securities are not publicly traded or freely marketable and may, therefore, be difficult to realise and there can be no assurance that sale proceeds will match fair values used for accounting purposes.
- Some of the Company's legacy investments are in established companies that may be relatively mature with limited opportunities for further growth.
- In order to comply with VCT legislation, the Qualifying Investments in which the Company invests must have gross assets of not more than £15 million immediately prior to investment and £16 million immediately post investment (these tests are applied on a group basis if applicable). Such companies generally have a higher risk profile than larger companies.
- From 18 November 2015, VCTs have been prohibited from investing in companies which are more than seven years old (10 years for "knowledge intensive" companies) unless certain limited exemptions apply. VCT investee companies are also restricted to a maximum lifetime fundraise of £12 million (or £20 million for "knowledge intensive" companies) from Stated aided risk finance sources. There are further restrictions on the use of VCT funds received by investee companies. These changes may mean that there are fewer opportunities for investment, and that the Company may not necessarily be able to provide further investment funds for companies already in its portfolio. The penalty for contravention of these rules can include loss of VCT status with a resultant clawback of VCT tax reliefs from investors.
- At the time of issue of this Prospectus an Investee Company is seeking refinance which the Company itself is prohibited from providing under current VCT rules. The investee company has secured bridging facilities pending that refinance. Although not possible to assess at present, the terms of that refinance (or failure to secure it) may have an adverse effect on the value of the VCT's investment in that company. If any such adjustment is material in the overall context of the portfolio, the Directors will ensure that no Shares are allotted pursuant to the Offer until an appropriately adjusted Net Asset Value has been issued.

- Where the European Commission believe that State Aid has been provided which is not in accordance with the Risk Finance Guidelines, they may require that the UK Government recover that State Aid. There is currently no mechanism in place for this, but recovery may be from the investee companies, the VCT or the VCT's investors.
- There is no guarantee that the Company's objectives will be met or that suitable investment opportunities will be available. This would affect and/or reduce the level of returns which would otherwise have been achievable.
- The Company's ability to obtain maximum value from its investments (for example, through sale) may be limited by the requirements imposed in order to maintain the VCT tax status of the Company (such as the obligation to have at least 70% by value of its investments in Qualifying Investments).
- Changes in legislation concerning VCTs in general, Qualifying Investments and qualifying trades in particular, may restrict or adversely affect the ability of the Company to meet its objectives and/or reduce the level of returns which would otherwise have been achievable.
- Most of the Company's investments will be in small companies which may have limited trading records and may not produce the hoped for returns. Consequently, Investors could get back less than they invested.
- The past performance of the Company and/or investments managed by the Manager is not necessarily a guide to the future performance of the Company.
- No assurance can be given that profits will be achieved or that substantial losses will not be incurred and Shareholders may get back less than the amount originally invested, even taking into account the available tax reliefs.
- Any targets or estimates referred to in this document are not projections or forecasts, and no projections or forecasts should be inferred or implied from such targets or estimates. Any targets or estimates referred to may not be realised.

## **2. Risks relating to Taxation**

- Investors should be aware that the disposal of New Ordinary Shares within five years of their subscription will lead to the requirement to repay the 30% income tax relief available upon investment to the extent of the amount received from such sale. Accordingly, investment in the Company is a long term investment.
- The levels and bases of reliefs from taxation may change and could apply retrospectively. The tax reliefs referred to in this document are those currently available and their value depends on the respective individual circumstances of Investors.
- An investment in a VCT is free from tax on capital gains for a Qualifying Investor on a disposal of their New Ordinary Shares. Consequently, any realised losses on disposal of New Ordinary Shares cannot be used to create an allowable loss for capital gains tax purposes.
- An Investor's initial income tax relief will be withdrawn if the Investor, or any person associated with the Investor, takes out a loan which would not have been made, or would not have been made on the same terms, save for the acquisition of the New Ordinary Shares.
- The Finance Act 2014 contained provisions (i) restricting tax relief on subscriptions for shares in a VCT where, within six months of subscription, the investor disposes of shares in the same VCT (or in another VCT which at any time merges with that VCT) and (ii) preventing VCTs returning capital to investors within three years of the end of the accounting period in which the relevant shares were issued. The Board has taken these legislative changes into account in determining its dividend policy but there remains the risk that these or other factors could result in less than the target level of annual dividends being paid or potentially no dividends being paid at all. If the Company were to pay dividends in breach of these new regulations, there is a risk that it might lose its status as a VCT which would result in adverse tax consequences for Investors noted at 1 (a) – (d) above.

## **3. Risks relating to the New Ordinary Shares**

- Prospective Investors should be aware that the value of the New Ordinary Shares depends on the performance of the underlying assets and the value of the New Ordinary Shares, and the income from them, can fluctuate. In addition, there is no guarantee that the market price of the New Ordinary Shares will fully reflect their underlying Net Asset Value or the ability to buy and sell at that price.

- Although the New Ordinary Shares will be listed on the premium segment of the Official List and traded on the London Stock Exchange's main market for listed securities, it is unlikely that a liquid market in the New Ordinary Shares will develop and there may never be two competitive market makers. It may, therefore, prove difficult for Investors to sell their New Ordinary Shares.
- There is a limited secondary market for VCT shares and most trade below their net asset value.

#### **4. Forward looking statements**

You should not place undue reliance on forward-looking statements. This Prospectus includes statements that are (or may be deemed to be) "forward-looking statements", which can be identified by the use of forward-looking terminology including the terms "believes", "continues", "expects", "intends", "may", "will", "would", "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. Forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements contained in this Prospectus or based on past trends or activities, should not be taken as a representation that such trends or activities will continue in the future. Any such statements do not, nor are intended to qualify the Company's working capital statement.

The information contained in this document will be updated if required by the Prospectus Rules, the Listing Rules and the Disclosure and Transparency Rules, as appropriate.

## CHAIRMAN'S LETTER

Elderstreet VCT plc

12 December 2016

Dear Shareholders/Investors

### **New £10 million public offer for Ordinary Shares**

I am delighted to offer you the chance to invest in the award winning Elderstreet VCT.

The Board and the Manager recognise that the investment landscape is constantly changing and that the ability to invest larger sums of capital into portfolio companies can enhance the level of deal flow. To this end I am pleased to inform you that the Company's manager, Elderstreet, has reached a significant co-investment agreement with Draper Esprit to share deal flow, management experience, and investment opportunities going forward.

### **Co-investment agreement with Draper Esprit plc**

Draper Esprit is one of the leading venture capital investors involved in the creation, funding and development of high-growth technology businesses with an emphasis on digital technologies in the UK, the Republic of Ireland and Europe. Draper Esprit floated on the AIM market in June 2016 and at the time of writing has a market capitalisation of £144 million.

The Draper Esprit team have considerable experience and have operated together for nine years. Prior to that, its members worked for leading firms within the venture capital industry. Since formation, the team has been involved in investing over £800 million into more than 200 technology businesses and been involved in creating businesses with a total aggregate value of over £6.4 billion, with an exited value of over £5 billion. Draper Esprit funds include EIS and institutional funds. The Draper Esprit EIS Funds 2015 achieved the highest rating by Martin Churchill's Tax Efficient Review (88/100). Pursuant to this collaboration, Draper Esprit will be taking a 30% stake in the Manager with an option to acquire 100% in the future.

The Board believe this agreement will bring substantial benefits to both existing and prospective new investors. Whilst there will be no change to the generalist investment policy of the Company, the ability to join a funding syndicate of Draper Esprit funds will bring access to larger deals in companies that enjoy higher revenues and which operate in high growth sectors. These more developed companies can scale very quickly and have the potential to IPO, exit, or attract further funding rounds more quickly than lower revenue companies. Given the recent changes to VCT investment rules, access to businesses of this profile may enhance the Company's ability to secure better investment terms and result in earlier exits. In addition to institutional funds, Draper Esprit has £29.5 million of EIS funds under management and this experience of tax efficient investing complements Elderstreet's skillset as an award winning VCT manager.

Draper Esprit is also a part of the Draper Venture Network details of which can be found on page 34. This global network is a valuable resource for deal flow, market intelligence, and further funding.

Details of the Draper Esprit team can be found under the management section on page 33. Details of the co-investment agreement with Draper Esprit funds can be found on page 25.

### **Elderstreet VCT Plc – An Award Winning Generalist VCT**

The Company continues to win awards and last year was runner up in the Growth Investor Awards Exit of the Year 2015. The Manager has previously won the 2014 VCT Investment Company of the Year Awards, and VCT Fund Manager of the Year in 2009 and 2010 organised by the Growth Company Awards.

This latest award followed a successful exit from the portfolio of Wessex Advanced Switching Products, a manufacturer of military and aerospace switches and lighting products, an investment which has returned an IRR of over 30%. Since then the Company has also exited SMART Education Limited in a deal that will deliver an IRR of 19.5%.

New investors would be buying into a portfolio that was assembled prior to the coming into effect of the Finance (No. 2) Act 2015 which now prohibits investment into more established companies that do not meet the VCT age criteria. The Company's largest investments (see pages 30 to 32) include several long standing and profitable companies.

The Board is confident that the Company continues to hold a good quality portfolio that has the potential to deliver further value for Shareholders over the coming years.



### **A VCT for income**

The Board has a stated objective of paying annual dividends of between 4 pence and 5 pence per Ordinary Share. However, it should be noted that if the Offer is fully subscribed the dilution on existing shareholders could be such that this target level of dividends may reduce slightly when spread across the enlarged shareholder base. The Board believes that in a generally low global interest rate environment a tax free yield of between 3 and 4 pence (equivalent to a 6% to 8% tax free return based on the Estimated Offer Price after factoring in initial tax reliefs) represents a good yield and will help to deliver consistent returns in the future. Coupled with Draper Esprit co-investment, and therefore the possibility of investing in higher revenue businesses which may lead to earlier realisations, the Board believe the upside outweighs any short term potential reduction from historic yields.

Further details on the potential yields can be found on page 21.

Distributable reserves as at 30 June 2016 (ignoring the interim dividend payable in December 2016) were £12.4 million. This is equivalent to 33 pence per existing Ordinary Share, and 24 pence per share if the Offer is fully subscribed.

**Investors should note that the level of dividend is not guaranteed, and no profit forecast is to be inferred or implied from these statements.**

### **The further issue of New Ordinary Shares**

Funds raised by the issue of New Ordinary Shares pursuant to the Offer will be invested, in accordance with the Company's investment policy, in a diversified portfolio of companies, with a particular emphasis on companies which meet the VCT criteria, with proven sales and the ability to grow, which are seeking development capital. Further details on the investment policy can be found on pages 23 to 25. Funds awaiting investment in such companies will principally be held in cash deposits and in a range of liquidity investments, including listed equity shares and shares or units in alternative investment funds or UCITS.

### **Early Investment Incentives**

Two Early Investment Incentives are being offered for Applications for New Ordinary Shares which are received and accepted in good time. The Manager will rebate to early investors the majority of the Promoter's Fee, in respect of which the Investor will receive additional New Ordinary Shares, and will also rebate the cost of initial commission payable to authorised intermediaries where this saving is passed on by the intermediary to the Investor, subject to a cumulative maximum rebate of 4.5%. Applications received before the first deadline of 31 January 2017 will benefit from a 2.0% rebate of the promoter's fee. Those received before the second deadline of 28 February 2017 will benefit from a 1.5% rebated of the Promoter's Fee.

### **Key tax benefits**

- 30% income tax relief is available on the amount subscribed up to £200,000, provided the New Ordinary Shares are held for at least five years. Further information on the initial tax benefits can be found on page 41.
- Tax free distributions and capital gains.

### **Next steps**

In order to invest please read this document and then complete the Application Form which is set out at the end of this document. If Investors have any questions regarding this investment they should contact their own financial intermediaries. For questions relating to an application, please telephone Elderstreet on 020 7831 5088. Prospective Investors should note that no investment advice can be given by Elderstreet and their attention is drawn to the risk factors set out on pages 14 to 16 of this document.

Yours sincerely

**David Brock**  
Chairman

## PART 1

### INFORMATION ABOUT ELDERSTREET VCT

#### Introduction

Elderstreet VCT is an established generalist VCT managed by Elderstreet Investments Limited. The objective of the Company is to provide good long term tax free returns to Shareholders through a combination of dividends and capital growth. Elderstreet VCT has a track record of providing good returns for its Shareholders. Income from investments and proceeds of profitable realisations have enabled the Board to pay cash dividends amounting to 93.5p per Ordinary Share to original investors who subscribed at the Company's launch in 1998. The Company has raised approximately £32 million (after expenses) since 1998 and is now invested in 24 companies with an unaudited net asset value of £25.6 million (source: unaudited interim accounts as at 30 June 2016).

The Offer enables Investors and existing Shareholders to invest into an established and diversified portfolio, managed by an award winning experienced investment team with a proven track record.

#### Background

The Company was launched in 1998, raising £15.1 million (after expenses). A further fundraise took place in 2006 and from then to date the Company raised approximately £15.3 million (after expenses) through further issues of Ordinary Shares and the reinvestment of dividends, paid out £23.1 million in dividends and has a residual unaudited Net Asset Value of £25.6 million (as at 30 June 2016).

The Company invests in the smaller company market, mainly in unquoted investments, but can also invest in AIM. Managed by an award winning experienced team, the Company has particular expertise in growing businesses through a 'hands-on' investment style, preferring to take significant stakes and board positions in the portfolio companies; an approach that the Manager believes has contributed significantly to the Company's success to date. The Company has access to a strong and consistent flow of investment opportunities and since its formation has reviewed over 10,000 potential investments.

The Board and Investment Management Team and their families have invested a total of in excess of £830,000 in the Company to date. In 2016 the Investment Management Team was strengthened by the entry into a co-investment agreement with Draper Esprit to share deal flow, management experience and investment opportunities.

#### Draper Esprit

Draper Esprit is one of the leading venture capital investors involved in the creation, funding and development of high-growth technology businesses with an emphasis on digital technologies in the UK, the Republic of Ireland and Europe. Draper Esprit floated on the AIM market in June 2016 and at the time of writing has a market capitalisation of £144 million.

The Draper Esprit team have considerable experience and have operated together for nine years. Prior to that, its members worked for leading firms within the venture capital industry. In aggregate, the team has been involved in investing over £800 million into more than 200 technology businesses and been involved in creating businesses with a total aggregate value of over £6.4 billion, with an exited value of over £5 billion. Draper Esprit funds include EIS and institutional funds. The Draper Esprit EIS Funds 2015 achieved the highest rating by Martin Churchill's Tax Efficient Review (88/100). As part of the deal Draper Esprit will be taking a 30% stake in the existing Manager with an option to acquire 100% in the future.

The ability to join a funding syndicate with Draper Esprit funds will bring the Company access to larger deals in higher revenue companies in high growth sectors. Given the recent changes to VCT investment rules, access to businesses of this profile may enhance the Company's ability to secure better investment terms and could result in earlier exits. In addition to institutional funds, Draper Esprit has £29.5 million of EIS funds under management and this experience of tax efficient investing complements Elderstreet's skillset as an award winning VCT manager.

Draper Esprit is also a part of the Draper venture network details of which can be found on page 34. This global network is a valuable resource for deal flow, market intelligence, and further funding.

## Awards

The Manager and Draper Esprit have between them won many awards including:

- Top rated EIS Funds 2015 by Tax Efficient Review (88/100) – Draper Esprit
- Runner up in the Growth Investor Awards Exit of the Year 2015 – the Manager
- Winner of Investment Week’s VCT Investment Company of the Year Awards 2014 – the Manager
- Investor Allstars VC Fund of the year 2013 – Draper Esprit
- Investor Allstars VC Fund of the year 2011 – Draper Esprit
- VCT Fund Manager of the Year in 2010 – the Manager
- VC of the year, Private Equity Awards, 2009 – Draper Esprit
- VCT Fund Manager of the Year in 2009 – the Manager
- VC of the year, EVCJ awards, 2008 – Draper Esprit

## Elderstreet Track Record on Ordinary Shares

Since its launch in 1998, the Company has paid cash dividends amounting to 93.5p per Ordinary Share. With an unaudited Net Asset Value of 68.9p per Ordinary Share at 30 June 2016, the Company has produced a total return since launch (cumulative dividends paid up to 30 June 2016 plus NAV) of 162.4p per Ordinary Share, a 103% tax-free uplift on the net investment (of 80p per share) of Shareholders who invested at inception.

The returns for a Shareholder with Ordinary Shares that invested in the Company at launch are shown below:

### Total returns on Ordinary Shares to 30 June 2016 for Shareholders who invested at launch

Initial net investment per Ordinary Share <sup>1</sup>	Cumulative cash dividends per Ordinary Share	NAV per Ordinary Share (unaudited)	Total return per Ordinary Share (unaudited)	Tax-free uplift on net investment <sup>2</sup>
80p	93.5p	68.9p	162.4p	103%

<sup>1</sup> Assumes an investment of 100p per Ordinary Share by a Qualifying Investor, less income tax relief at 20%, resulting in a net investment of 80p per Ordinary Share.

<sup>2</sup> The percentage tax-free uplift is the excess of the total return over the initial investment net of tax relief received by Qualifying Investors divided by the initial investment net of income tax relief receivable by Qualifying Investors. The tax-free uplift has been set out for illustrative purposes only, is not guaranteed, is not necessarily a guide to future performance and no forecast or projection should be inferred or implied.

Since 2005 the Company has raised further capital predominantly in the same share class, with the exception of a 2005 offer of C ordinary shares which were subsequently converted into Ordinary Shares. The performance of each of these fund raisings is shown below, including initial tax reliefs.

Tax year of Investment ending 5th April	Rate of Initial Tax relief	Initial investment per Ordinary Share after tax relief	Cumulative cash dividend per Ordinary Share	NAV per Ordinary Share (June 16 unaudited)	Total return per Ordinary Share (unaudited)	Tax-free % increase on net investment
1998	20%	80.0	93.5	68.9	162.4	103%
2005 *	40%	60.0	65.4	46.1	111.5	86%
2006	40%	41.3	64.0	68.9	132.9	222%
2008	30%	64.4	57.0	68.9	125.9	95%
2009	30%	52.3	50.5	68.9	119.4	128%
2010	30%	53.2	47.5	68.9	116.4	119%
2011	30%	56.0	43.5	68.9	112.4	101%
2012	30%	49.5	39.5	68.9	108.4	119%
2013	30%	47.3	35.5	68.9	104.4	121%
2015	30%	50.3	10.0	68.9	78.9	57%
2016	30%	49.7	2.5	68.9	71.4	44%

<sup>1</sup> The percentage tax-free increase is the excess of the total return per Ordinary Share over the initial investment net of tax relief received by Qualifying Investors divided by the initial investment net of income tax relief receivable by Qualifying Investors. The tax-free increase figures have been set out for illustrative purposes only, are not guaranteed, are not a guide to future performance and no forecast or projection should be inferred or implied. It should be noted that investments in the Company in the year to 5 April 2012 and after have yet to satisfy the tax free holding period.

<sup>2</sup> The 2005 numbers and NAV have been adjusted to reflect the merger of the C ordinary share class with the Ordinary Share class at a rate of 0.6691 Ordinary Shares for each C ordinary share.

The initial investment per Ordinary Share for the years 2006 to 2016 reflects the actual offer price at the time of subscription adjusted by the rate of initial tax relief applicable at the time.

### Dividends on Ordinary Shares

It is the Board's objective to maximise dividends to Shareholders, subject to liquidity, the availability of sufficient distributable profits, capital resources and VCT regulations, and to target a dividend return of between 4 and 5 pence per annum. However, it should be noted that if the Offer is fully subscribed the dilution on existing shareholders could be such that this target level of dividends is likely to reduce slightly when spread across the enlarged shareholder base. The Board believes that in a generally low global interest rate environment a tax free yield of between 3 and 4 pence (equivalent to a 6% to 8% tax free return based on the Estimated Offer Price after factoring in initial tax reliefs) represents a good yield and will help to deliver consistent returns in the future. Coupled with Draper Esprit's co-investment, and the possibility of investing in higher revenue businesses which may lead to earlier realisations, the Board believe the upside outweighs any potential short term reduction in historic yields. Further details on the potential yields can be found on page 21.

As at 30 June 2016 the Company had distributable reserves of £12.385 million which is the equivalent to 11 years of dividends at 3 pence per Ordinary Share using the number of Ordinary Shares in issue at 30 June 2016 (or 8 years if the Offer is fully subscribed).

From 2006 to 2015 (inclusive) the Company has paid an average dividend per annum of 4.15p per Ordinary Share, excluding special dividends. Since 31 December 2014 following successful portfolio company exits, special dividends of 20 pence have been paid per Ordinary Share.

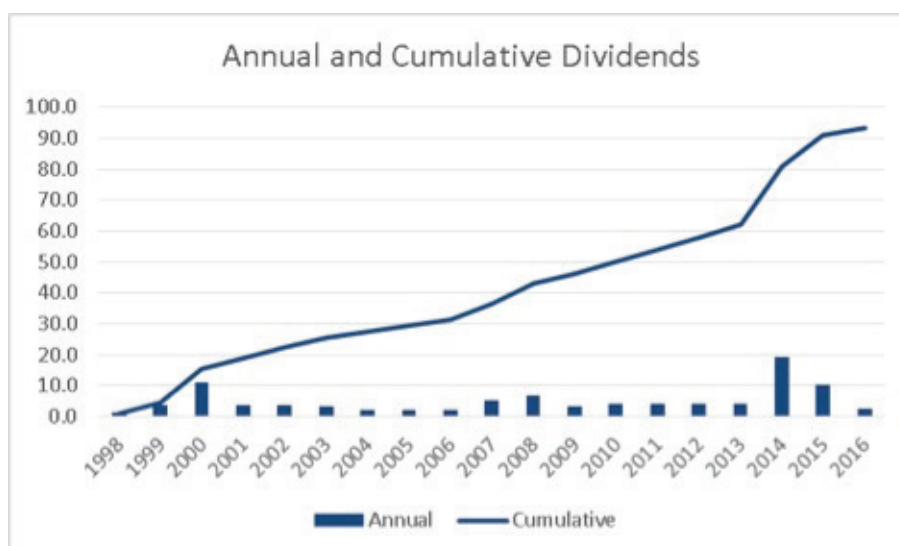
**Investors should note that the level of dividend is not guaranteed, and no profit forecast is to be inferred or implied from these statements.**

Regular interim and final dividends are payable usually in June and December every year. An interim dividend of 2.5p per Ordinary Share has been declared and is payable on the 16 December 2016 to Shareholders on the register on 4 November 2016. In addition, special one off dividends, normally as a result of portfolio company exits, have been declared in the past by the Board on an ad-hoc basis.

The following table shows the dividends paid per Ordinary Share each year since inception and reflects the actual payment date:

<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
1.0	3.5	11.0	3.5	3.5	3.0	2.0
<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
2.0	2.0	5.0	6.5	3.0	4.0	4.0
<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>Total Paid</b>	<b>Declared*</b>
4.0	4.0	19.0	10.0	2.5	<b>93.5</b>	<b>96.0</b>

\* includes a 2.5 p interim dividend payable 16 December 2016



### Income Yield on Ordinary Shares

The following table gives an illustration of potential returns to Ordinary Shareholders, assuming a dividend of either 3 pence, 4 pence or 5 pence per annum is paid, and the equivalent taxable yield based on the Estimated Offer Price net of 30% income tax relief grossed up for a taxpayer paying 40% or 45% tax on his income.

#### Illustration of income yield per Ordinary Share after 30% tax relief

Offer Price (net of tax relief)*	Target annual dividend	Tax free yield per annum	Grossed up yield per annum	
			40% taxpayer	45% taxpayer
49.2	3.0p	6.1%	10.2%	11.1%
49.2	4.0p	8.1%	13.6%	14.8%
49.2	5.0p	10.2	16.9	18.5

\* Using the Estimated Offer Price of 70.3p multiplied by 70% to reflect the initial 30% up front income tax relief. The June NAV of 68.9p has been adjusted down by the 2.5p interim dividend payable in December 2016 and for the issue costs of 5.5%. No forecast or projection should be implied or inferred.

### Exits

The Company sold SMART Education Limited ('SMART') in December 2015, realising a profit of £3.6 million. SMART is a fast growing teacher supply agency which was first invested in October 2005. This investment backed an existing successful management team that were previously known to the Manager. A further contractual escrow of £1.5 million is due to be paid in December 2016. Taking this into account the investment will return an IRR of 19.5%.

In June 2014 the Company sold Wessex Advanced Switching Products ('WASP'), realising an initial profit of £8.8 million, and further escrow amounts of £0.9 million. WASP is a manufacturer of military and aerospace switches and lighting products. The investment was made in 1999 and has returned an IRR of over 30%. As a result of this very profitable exit the Board declared a special dividend of 15p per Ordinary Share (amounting in total to £4.5 million) paid in September 2014, representing a significant 15% of the Net Asset Value of the VCT at the time.

The prior two exits before WASP were the trade sales of Wecomm Limited in March 2011 to OpenText Corporation and Melorio plc in June 2010 to Pearson plc. The Melorio realisation achieved a multiple return of 2.2 times cost. The Wecomm realisation achieved a 1.1 times multiple of cost.

A table of meaningful successful exits since inception is produced below. The multiple is a multiple of cost realised. Ignoring the exceptional return from WASP, the average realised return from these exits has been a multiple of 2.5 times cost.



## Selected successful exits

£'000	Date	Profit	Uplift %	Multiple of Cost
SMART Education*	Dec-15	3,653	202%	3.0
Wasp**	Apr-14	9,747	16230%	163.3
Wecomm	Mar-11	89	10%	1.1
Melorio	Jun-10	240	120%	2.2
Fords***	Feb-09	1,150	144%	2.4
Mediasurface	Jul-08	153	23%	1.2
U-Mole	Mar-08	1,507	350%	4.5
CSG	Apr-07	2,497	167%	2.7
Ovum	Dec-06	87	58%	1.6
ET&T	Oct-06	210	47%	1.5
Milkround	Mar-06	147	59%	1.6
HJ Bean	Sep-05	343	58%	1.6
Interlink Foods	Jan-00	682	159%	2.6
Systems Union	Jan-00	1,368	574%	6.7
<b>Total</b>		<b>21,873</b>	<b>260%</b>	<b>3.6</b>

\* SMART includes a further contractual escrow of £1.5 million

\*\* WASP excludes a further £0.4 million held in escrow

\*\*\* Fords was a secondary buyout

## Historical Financial Information

Certain key historical information of the Company is set out below:

	Unaudited six months to 30 June 2016	Audited year end to 31 Dec 2015	Unaudited six months to 30 June 2015	Audited year end to 31 Dec 2014	Audited year end to 31 Dec 2013
Net Assets	£25,581,000	£24,458,000	£23,394,000	£23,769,000	£23,977,000
NAV Total return	162.4p	161.6p	156.0p	151.8p	140.0p
Net asset value per Share	68.9p	70.6p	67.5p	70.8p	78.0p
Dividends paid per Share	2.5p	10.0p	7.5p	19.5p	4.0p

As at 30 June 2016, the Company's net asset value per Share (unaudited) was 68.9p. In the period between 30 June 2016 and the date of publication of the Prospectus there has been no significant change to the Company's financial condition.

## Investment Policy

The Company will continue to invest predominantly in a diversified portfolio of companies, with a particular emphasis on smaller unquoted companies, through investments which will usually have the following characteristics:

- Companies which meet the VCT criteria with proven sales and the ability to grow, which are seeking growth capital
- A strong, balanced and well-motivated management team.
- Investments which, where appropriate, include loan notes and preference shares to enhance the security of the portfolio and to provide income.
- Investments where Draper Esprit plc and Elderstreet Investments Limited can typically act as lead investor and have an active involvement in the business through a board position.

The Company has a general portfolio mix by sector and its average deal size is approximately £1.0 million, although it will syndicate larger deals of up to £2.0 million. Within qualifying investments, 30% of investments will usually be into early stage companies (typically revenues of between £0.5 and £1.5 million) with high growth

potential and 70% into later stage investments (typically revenues exceeding £1.5 million) that meet the new VCT age limit restrictions. Because of the new VCT rules it is likely that a higher percentage of investments than in the past will be in companies which have not yet reached the stage of profitability.

The target investment size has historically been between £0.5 million and £1.5 million across a broad range of industries. The Company will aim to have material influence, including board representation, in relation to all of its portfolio companies.

### **Risk Diversification**

The Company's portfolio will be diversified by investing in a portfolio of VCT qualifying investments covering a number of sectors. Funds not invested in VCT qualifying investments have generally been invested in fixed income securities and going forward will generally be held in cash. The maximum that the Company will hold in a single investment (by value at the time of investment) is 15% of funds invested.

### **VCT Qualifying Investments**

It is the Directors' intention that qualifying investments made by the Company will be in companies supplying products and services to a range of markets. In particular, the Directors have specific experience and expertise in certain markets, such as information technology, manufacturing and retailing, and, where appropriate, the Company will invest in these sectors.

It is intended that most of the Company's qualifying investments will be established businesses, (typically revenues exceeding £1.5 million), requiring development finance. Investments in early stage businesses should represent only a small proportion of the portfolio at any time; such investments could be made, for example, in a company whose management team the Company has previously backed or a start-up company which can demonstrate substantial and verifiable first year sales prospects.

The Manager will seek to ensure that the businesses in which the Company invests will have: strong management teams; opportunities for growth; products or services able to sustain a competitive advantage; and reasonable prospects of achieving a stock market flotation or trade sale.

In relation to investments to be made by the Company:

1. In order to enhance the security of the portfolio and to provide income, the Company's investments may include, where appropriate, loan notes and preference shares;
2. The Company's policy is, where appropriate, to have a representative of the Manager, or an experienced individual well known to it, appointed to the board of each portfolio company as a non-executive director in order to play an active role in seeking to develop the full potential of the company concerned; and
3. The Manager will endeavour to add value to the portfolio companies in a number of ways, including strategic planning, assisting with the development of the management team, advising on acquisitions or mergers and helping to structure the company for a stock market flotation or trade sale.

### **Investments in AIM traded companies**

Companies whose shares are traded on AIM will be considered for investment. Such investments will normally only be made where most of the same criteria for unquoted investments are met.

### **Non-Qualifying Investments**

The approach historically adopted by the manager to non-Qualifying Investments was to invest in short-dated fixed interest securities of high credit quality (to provide protection for the capital invested) principally consisting of financial instruments and fixed income securities issued by the UK Government, major companies and institutions as well as holding such funds in cash and bonds within a balanced portfolio, with a focus on higher yields while maintaining liquidity and downside protection. The Company also had shareholder approval to invest in property, equities, commodities and hedge funds however this was de-minimis.

Following recent changes to the VCT Rules, new funds raised will generally be held in cash or near cash assets pending investment. After the Company has satisfied the VCT investment qualification targets required by HMRC, the remaining cash will be invested in accordance with HMRC rules for Non-Qualifying Investments. Currently this includes cash, listed share and securities, liquid AIFs, UCITS or other money market funds.

### **Venture Capital Trust regulations**

The Company will be managed as to maintain its VCT status by satisfying a number of tests set out in Part 6 of the Income Tax Act 2007.

### **Borrowings**

It is not the Company's intention to have any borrowings; however the Company does have the ability to borrow not more than 10.0% of the aggregate of the nominal capital of the Company (being issued and paid up) plus the amounts standing to the credit of the reserves of the Company.

### **Draper Esprit co-investment Policy**

Through its ownership of Encore Ventures (an FCA authorised and regulated management vehicle), Esprit Capital LLP manages five EIS funds, currently with a total of £29.5 million under management (approximately 70% of which is invested).

Draper Esprit plc is the parent company of the group which incorporates the management company Esprit Capital LLP and which has, excluding EIS funds, approximately £300 million under management (approximately 80% of which is invested).

Esprit Capital LLP will typically make an initial co-investment of between £3 and £5 million in each of the Draper Esprit's primary investments.

Encore Ventures will typically make an initial co-investment of between £100,000 and £1 million in each of the Draper Esprit's primary investments. Encore Ventures typically fixes the percentage of each deal shared with the Group on an annual basis, with periodic reviews as required. It is expected that the EIS funds will continue to co-invest in Draper Esprit's primary investments.

Elderstreet VCT plc currently has net assets of £25,581,000 million (approximately 77% of which is invested in portfolio companies).

Elderstreet has agreed a co-investment right alongside the Draper Esprit plc institutional and EIS funds. This will be broadly based on the liquid funds available, the EIS/VCT qualifying status of each investment, the existing asset allocation within each pool of funds (i.e. conflict issues around investing in a potential competitor to an existing portfolio company), and for the VCT, the current percentage of VCT qualification in each of its pool of VCT funds. This co-investment right and allocation will be reviewed on a periodic basis.

An example of a typical allocation between all of the funds based on an example of Liquid Funds available to invest at any time, may be as follows:

	<b>Liquid Funds</b>	<b>Qualifying</b>	<b>Non Qualifying</b>
Draper Esprit plc	30,000,000	67%	100%
Elderstreet VCT plc	5,000,000	11%	0%
Draper Esprit EIS	10,000,000	22%	0%

The Directors believe that this will provide Elderstreet VCT Shareholders with a number of advantages, particularly in relation to deal flow and the opportunity for Elderstreet VCT to co-invest in larger deals, and, therefore, later stage companies.

In the event of a conflict of interest between the funds (which shall include where an investment is proposed in a company in which another fund already has an interest), or where co-investments are proposed to be made other than on the above basis, such an investment by the VCT will require the approval of those members of the Elderstreet VCT board who are independent of the Manager.

The parties acknowledge that the Board is independent of the Manager and Draper Esprit and while the Manager or Draper Esprit may recommend deals on the above basis the Company has the right to decline to invest in any such deal.

### **Share buyback and dividend policies**

#### **Share buybacks**

The Company has from time to time bought back its Ordinary Shares for cancellation. Elderstreet intends to continue to buy back its Ordinary Shares at a discount of approximately 7.5% to the last published NAV, subject to liquidity, VCT regulations and the Listing Rules. The Company intends to acquire its own Ordinary Shares in

the market four times each year. The Board will agree the price at which such buybacks are undertaken which will not be more than 92.5% of the last published NAV for the Ordinary Shares although the Board may decide to buy back shares at their discretion at a larger discount subject to VCT regulations, liquidity and the Listing Rules.

The Board reserves the right to allocate Company funds reserved for buybacks across Shareholders wishing to sell on a pro rata basis rather than a first come first served basis. This may result in Shareholders only being able to sell a proportion of their holding. The Board believes this to be an equitable policy to those Shareholders who wish to exit.

The implementation of the buy-back policy in relation to Ordinary Shares will be at the Board's discretion and subject to the Company's liquidity, and stock market and other applicable regulations.

### **Distribution of Capital Profits and Dividends**

Legislative changes have meant that VCTs can no longer return capital to investors (e.g. by way of dividends paid from cancelled share premium account) within three years of the end of the accounting period in which the relevant shares were issued, where the shares in question were issued post 5 April 2014. New Ordinary Shares issued pursuant to the Offer will be subject to this restriction.

An interim dividend of 2.5p per Ordinary Share for 2016 was declared on 30 September 2016, which will be paid on 16 December 2016. New Ordinary Shares subscribed under the Offer will not be eligible for this interim dividend but it is the Board's target to pay a dividend of between 4 pence and 5 pence per annum per Ordinary Share going forward, although at full subscription this target may drop to between 3 and 4 pence per annum (representing a 6% to 8% tax free return based on the Estimated Offer Price after factoring in initial tax reliefs). Further details on the potential yields can be found on page 21.

The Directors aim to maximise Shareholder returns and, subject to liquidity, VCT regulations and Listing Rules, aim to distribute substantially all available investment income after fees and VCT running costs. Interim dividends on Ordinary Shares are expected to be paid in November. Final dividends have generally been announced in April and are expected to be paid in May each year.

### **The Manager**

The Manager has acted as investment manager for the Company since its inception in 1998 (initially, through its wholly owned subsidiary, Elderstreet Private Equity Limited, and since 2009 directly after the Investment Management Agreement in relation to the Company was novated from that subsidiary to itself). The Manager was founded in 1990 and currently has more than £28 million (unaudited) under management. The Manager has expertise in tax efficient investing, including VCTs and EISs, and is a specialist in the smaller company market, the unlisted sector and AIM. The Manager has strong proprietary deal flow and a "hands on" portfolio management style.

The Manager was voted VCT Fund Manager of the Year 2009 and 2010 by the Growth Company Awards. The Company was the winner of Investment Week's 2014 VCT Investment Company of the Year Awards organised by Incisive Media. These awards highlight investment companies that produce consistent performance and where there is, in the judges' opinion, a high likelihood that the investors will not be disappointed in the future.

The Company was runner up in the Growth Investor Awards Exit of the Year 2015. The Exit of the Year award recognizes investment performance against initial targets and value added to the investee business by the fund manager. Assessed in the context of type of exit, a panel of judges based their scoring on entry questions relating to investment performance, value added to the investee business, obstacles to exit and management of risk.

### **The Administration Manager**

Downing LLP (and previously its predecessor, Downing Management Services Limited) has been the Company's Administration Manager since the Company's inception in 1998 and performs similar services for a number of other VCTs.

### **Fees payable to the Manager and the Administration Manager**

The Manager receives an annual fee (the "Annual Fee") equal to 2.0% of the Net Assets of the Company subject to the expenses cap (see below). The Annual Fee is calculated twice a year on 30 June and 31 December and payable quarterly in advance. Downing LLP receives an annual fee of £50,000 (plus VAT) for its role as the Administration Manager.

Taking into account the expected long term returns in the form of income and capital gains, it is intended that the Annual Fees will be allocated 25% to revenue and 75% to capital.

### **Expenses Cap**

The annual running costs (including VAT) of the Company are capped at 3.5% of its Net Assets with any excess being refunded by way of a reduction in the fees payable to the Manager and the Administration Manager pro rata to their fees during the financial year.

The running costs include, inter alia, fees payable to the Manager and the Administration Manager, Directors' fees, audit and taxation fees, registrar fees and costs of communicating with Shareholders. The expenses cap excludes the performance incentive fee.

### **Performance Incentive Fees**

Performance incentive fees are payable to the Manager when dividends paid and/or proposed exceed 3.5p per Ordinary Share, in any one financial year subject to the NAV, before the distribution, being higher than 70.6p per Ordinary Share. The Manager will receive 20% of the distribution amount over 3.5p per Ordinary Share. The performance incentive fee will also have a catch-up should any previous year's distribution not be met. This catch-up will be cumulative so that in any years where the distribution is less than 3.5p the shortfall must be made up prior to awarding any further performance incentive fees. Any performance incentive fee payable in any period of 12 months has been capped so that the fee payable (together with any other fees payable to the Manager by the Company which have not been specifically approved by Shareholders) is capped at 24.9% of the lesser of the Company's current Net Assets, market capitalisation or gross assets. Any such fees which result in this cap being exceeded will be waived, will not be carried over to another period and will cease to be payable to the Manager.

Currently, the hurdles for these performance fees have not been met for this current financial year.

### **Fixed Income Securities Manager**

In addition to the investment management services provided by the Manager, the Company has appointed Smith & Williamson Investment Services Limited to provide discretionary investment management services in respect of funds not invested in Qualifying Investments that are to be invested in fixed income securities. The percentage of the Company's portfolio presently managed under these arrangements was 6% as at 30 June 2016. Other managers of non-Qualifying Investments may be appointed by the Company from time to time.

### **Arrangement and Monitoring Fees**

The Manager may charge an arrangement fee to each portfolio company in which the Company invests. This fee is restricted to 3% of the gross amount invested by the Company. The Manager may also charge portfolio companies for its monitoring services and non-executive director fees.

### **Conflicts between Elderstreet Funds**

Should a conflict arise in respect of the allocation of an investment opportunity between the Elderstreet Funds, allocations will normally be made on a pro rata basis (allowing for appropriate rounding of investment amounts) between the Company and the other Elderstreet Funds based on the amounts available for investment in each fund at the time the investment opportunity arises. However, the Manager will be entitled to recommend to the Board (and to the directors or trustees of relevant other Elderstreet Funds) the allocation of investment opportunities on a basis otherwise than as set out above if required in order to:

- ensure that the Company establishes and/or maintains its status as a Venture Capital Trust;
- balance the portfolios of the Company in such manner as the Manager shall consider appropriate, taking account of the liquidity of the respective funds, sector balance, relative risk profile and maturity of investments (including exit considerations); or
- take account of the status of investments as Qualifying Investments under the VCT Rules from time to time.

In the event of a conflict of interest between the Company and any other Elderstreet Funds, the matter shall be referred to such Directors who are independent of the Manager (the "**Independent Directors**"), whose determination shall be final and binding on the Manager.

In particular, where the Company intends to invest in a company in which another Elderstreet Fund has invested or intends to invest, the investment shall require approval by the Independent Directors unless the investment is made either at the same time and on the same terms or in accordance with a pre-existing agreement between the Company and the Manager. The Directors and members of the Investment Management Team do, from time to time, co-invest in the Company's portfolio companies.

Where a Director has an interest of more than 1% in a portfolio company then he is disqualified from voting on decisions concerning that company.

#### **Net Asset Value Calculation**

The Company's net asset value is formally calculated every six months by the Manager, approved by the Board and published on an appropriate regulatory information service. If valuations are suspended, Shareholders will be notified in a similar manner. The calculation of the net asset value would only be suspended in circumstances where the underlying data necessary to value the investments of the Company could not readily, without undue expenditure, be obtained.

#### **VCT Status Monitoring**

The Directors have appointed Philip Hare & Associates LLP to advise the Company on compliance with the taxation legislative requirements relating to VCTs.

Philip Hare & Associates LLP will, if requested by the Board, review the qualifying status of new investment opportunities and carry out regular reviews of the Company's investment portfolio.

Philip Hare & Associates LLP work closely with the Manager and the Administration Manager, but will report directly to the Board. At its outset the Company obtained HMRC approval. Since then the Company has continued to meet the conditions for approval as a Venture Capital Trust laid down in Section 274 of the ITA.



## PART 2

### INVESTMENT PORTFOLIO

The investment portfolio of the Company as at the date this document is set out below (the valuations being the unaudited valuations as at 30 June 2016).

Ten largest investments by value		Equity/Loan Investment	Actual Cost adjusted £'000	Unaudited 31 June 2016 Valuation £'000	Unrealised Gain/Loss £'000	Portfolio by percentage %
Lyalvale Express Ltd	Engineering	Equity	1,915,204	3,332,350	1,417,146	13%
Access Intelligence PLC*	Software	Equity/Loan	2,333,022	3,245,909	912,887	13%
Fords Packaging Top Co Ltd	Packaging	Equity/Loan	1,046,665	3,238,582	2,191,917	13%
Baldwin & Francis Ltd	Packaging	Equity/Loan	1,534,332	2,252,268	717,936	9%
Fulcrum Utilities Limited*	Gas utilities	Equity	500,074	1,625,130	1,125,056	6%
Concorde Solutions Ltd	Software	Equity/Loan	1,650,000	1,524,940	(125,060)	6%
AngloInfo Limited	E-media	Equity/Loan	1,887,158	1,071,922	(815,237)	4%
Lyalvale Property	Property	Equity	300,213	914,138	613,925	4%
Macranet Ltd T/A Sentiment Metrics	Software	Equity/Loan	862,513	862,499	(14)	3%
Ridee Ltd T/A Jinn	Logistics	Equity	499,013	499,013	-	2%
<b>Subtotal</b>			<b>14,364,384</b>	<b>18,566,749</b>	<b>6,038,556</b>	<b>73%</b>
<b>Other venture capital investments</b>						
Cashfac plc	Software	Equity	260,201	328,383	68,182	1%
Servoca plc*	Software	Equity	333,334	234,000	(99,334)	1%
Interquest Group plc*	Recruitment	Equity	225,500	209,100	(16,400)	1%
Uvenco UK Plc*	Vending	Equity	1,325,424	448,744	(876,680)	2%
Proxama plc*	Software	Equity	859,941	122,925	(737,016)	0%
Sift Ltd	Software	Equity	250,000	112,062	(137,938)	0%
Sparesfinder Limited	Software	Equity	103,535	33,852	(69,683)	0%
Kellan Group plc*	Recruitment	Equity	656,700	11,109	(645,591)	0%
Infoserve Group plc	Media	Equity	127,500	-	(127,500)	0%
RB Sport & Leisure Holdings	Leisure venue	Equity	187,500	-	(187,500)	0%
The National Solicitors Network Ltd	Media	Equity	500,919	-	(500,919)	0%
The QSS Group Limited	Services	Equity	268,204	-	(268,204)	0%
RB Sport & Leisure Holdings	Leisure venue	Equity	187,500	-	(187,500)	0%
The National Solicitors Network Ltd	Media	Equity	456,055	-	(456,055)	0%
<b>Subtotal</b>			<b>5,098,758</b>	<b>1,500,175</b>	<b>(3,598,583)</b>	<b>6%</b>
<b>Total venture capital investments</b>			<b>19,463,142</b>	<b>20,066,924</b>	<b>2,439,973</b>	<b>78%</b>
Listed fixed income securities			1,516,171	1,556,573	40,402	6%
<b>Total Investments</b>			<b>20,979,313</b>	<b>21,623,497</b>	<b>2,480,375</b>	<b>85%</b>
Cash at bank and in hand				2,559,774		10%
Net debtors/creditors**				1,397,250		5%
<b>Net Assets</b>				<b>25,580,520</b>		<b>100%</b>

\* AIM quoted

\*\* Net debtors have been reduced by £305,000 and credited to Uvenco's valuation as a result of a Related Party Transaction

Since 30 June 2016, the Company declared a dividend of 2.5p per Ordinary Share which is payable in December 2016.

Quoted investments are valued at bid price with a liquidity discount, where appropriate, and unquoted investments are valued in accordance with International Private Equity and Venture Capital Valuation Guidelines. All figures are unaudited, and all investments are priced in GB Sterling. The last revaluation date was 30 June 2016, the last practicable valuation date prior to publication of this document.

### Portfolio Analysis

Set out below is an analysis of a sample of the ten largest investments of the Company by valuation (unaudited) as at 30 June 2016 (representing 73% of the unaudited net assets of the Company).

The Company classifies its Qualifying Investments into three different categories — mature, yielding with a significant minority holding; early stage high growth companies; and AIM companies.

Unless stated to the contrary the figures for each of the portfolio companies have been extracted from their annual accounts filed at Companies House. Where information has been sourced from the management accounts of the portfolio companies, the Company confirms that this information has been accurately reproduced and, as far as the Company is aware and able to ascertain from information published, no facts have been omitted which would render the reproduced information inaccurate or misleading.

This information is unaudited and has been prepared by the Manager.

#### Mature, Yielding with a Significant Minority Holding

##### *Lyalvale Express Limited (“Lyalvale Express”)*

First Investment	May-98	Year ended	31-Mar-13	31-Mar-14	31-Mar-15
Cost	£1,915,204	Turnover (£m)	7.3	7.6	8.2
Value	£3,332,350	EBITDA (£m)	1.0	1.1	1.3
% held	44.2%	Net assets (£m)	7.5	8.3	8.7

Lyalvale Express is a leading producer of shotgun ammunition in the UK. It has developed a range of more than 30 different models of cartridge suitable for both game and clay shooting. Its products range from premium products such as that used by Richard Faulds to win an Olympic Gold Medal in Sydney, to popular everyday products. It occupies a freehold site in Staffordshire and is dividend paying. The Manager has a seat on the board of directors.

##### *Lyalvale Property Limited (“Lyalvale Property”)*

First Investment	Dec-13	Year ended	31-Mar-13	31-Mar-14	31-Mar-15
Cost	£300,213	Turnover (£m)	n/a	n/a	n/a
Value	£914,138	EBITDA (£m)	n/a	n/a	n/a
% held	28.4%	Net assets (£m)	n/a	n/a	n/a

Lyalvale Property is a non VCT qualifying investment that owns a significant acreage of brownfield land within commuting distance of Birmingham. It has no meaningful turnover or trading figures. An application for housing has been submitted and is at the appeal stage. The Manager has a seat on the board of directors.

##### *Baldwin & Francis Limited (“Baldwin & Francis”)*

First Investment	Nov-04	Year ended	31-Mar-13	27-Mar-14	27-Mar-15
Cost	£1,534,332	Turnover (£m)	14.7	11.3	10.2
Value	£2,252,268	EBITDA pre exceptionals (£m)	0.2	0.1	0.3
% held	48.9%	Net assets (£m)	0.7	0.8	0.6

Founded in 1919 Baldwin & Francis is one of the world’s leading suppliers of electrical equipment for hazardous and challenging environments manufacturing flameproof switchgear for the mining, oil and rail industries. A significant percentage of Baldwin & Francis’s production is currently exported. The Manager has a seat on Baldwin & Francis’ board.

**Fords Packaging Topco Limited (“Fords Packaging”)**

First Investment	Dec-13	Year ended	30-Jun-13	30-Jun-14	30-Jun-15
Cost (adjusted)*	£1,046,665	Turnover (£m)	6.2	6.9	6.1
Value	£3,238,582	Profit before interest, tax and amortisation (£m)	0.8	1.0	0.8
% held	48.7%	Net assets (£m)	1.5	2.2	2.5

Based in Bedford, Fords Packaging is a leading supplier of capping presses and also manufactures rotary sealers. It is widely known for its expertise in sealing and closure technology for food and drink applications where high standards of hygiene are required. Fords products are mainly for use in the food and dairy industries. The Manager has a seat on Fords Packaging’s board.

\* First invested in Feb 2009 and restructured Dec 2013

**Early Stage High Growth Companies****Ridee Limited (“Jinn”)**

First Investment	Mar-16	Year ended *	31-Jan-13	31-Jan-14	31-Jan-15
Cost	£499,013	Gross sales (£m)	n/a	0.8	6.2
Value	£499,013	Profit before interest, tax and amortisation (£m)	n/a	n/a	n/a
% held	2.76%	Net assets (£m)	n/a	0.2	0.3

Ridee, which trades as Jinn, is a fast growing 24/7 last mile urban logistics and delivery platform that allows users to order anything they want from local stores and restaurants. Elderstreet invested in a £5.2 million Series A funding round, including Samaipata Ventures, a new VC started by the founders of La Nevera Roja, the take-out ordering service sold to Rocket Internet last year for \$100 million. As at November 2016 the current run rate for gross sales is £20 million. The manager has an Observer seat at board meetings.

\* Figures extracted from unaudited accounts

**Anglo Info Limited (“Anglo Info”)**

First Investment	Sep-06	Year ended **	31-Dec-13	31-Dec-14	31-Dec-15
Cost	£1,887,158	Gross Turnover (€m)	1.7	1.9	2.4
Value	£1,071,922	Profit before interest, tax and amortisation (€m)	-0.3	-0.9	-0.4
% held*	43.80%	Net assets (€m)	-0.9	-0.5	-0.2

Anglo Info is an online company providing local business directory, classified advertising and information services in the English language at [www.angloinfo.com](http://www.angloinfo.com). Anglo Info is a network of websites for English-speakers living abroad. It operates in many regions around the world providing support and information to local English-speaker communities. The Manager has a seat on Anglo Info’s board of directors.

\* Beneficial ownership is 45.9% including the Ordinary Share Pool’s convertible loan

\*\* Figures extracted from unaudited aggregated management accounts

**Macranet Ltd trading as Sentiment Metrics (“Sentiment”)**

First Investment	Jan-14	Year ended**	31-Jul-13	31-Jul-14	30-Dec-15
Cost	£862,513	Turnover (£m)	0.7	0.6	0.7
Value	£862,499	Profit before interest, tax and amortisation (£m)	-0.2	-0.5	-0.4
% held*	3.28%	Net assets (£m)	0.0	0.2	0.2

Sentiment Metrics is a S-a-a-S based social media middleware analytics software vendor. Sentiment’s powerful Cloud-based platform monitors global social media so clients can pickup on prospects or customers conversations in real time or via their archive of 25 billion stored conversations. Elderstreet invested alongside AIM quoted Netcall plc who are a multi channel call centre software vendor. The Manager has a seat on Sentiments board of directors.

\* Beneficial ownership is 22.8% including the Ordinary Share Pool’s convertible loan

\*\* Figures extracted from unaudited annual accounts. The year end changed in 2015

**Concorde Solutions Limited (“Concorde”)**

First Investment	Apr-12	Year ended*	30-Nov-13	30-Nov-14	30-Nov-15
Cost	£1,650,000	Turnover (£m)	1.9	2.1	1.6
Value	£1,524,940	Profit before interest, tax, exceptionals and amortisation (£m)	0.0	-0.2	-0.3
% held	18.4%	Net assets (£m)	-0.1	2.1	1.6

An important challenge faced by companies today is the management of their software estate to ensure they remain compliant with their software licences. Concorde Software Asset Management solution provides these solutions. Concorde’s clients include Jaguar Land Rover, Rexam, Aviva, the FCA and Serco. The Manager has a seat on the board of directors.

\* Figures extracted from unaudited accounts

**AIM Companies****Access Intelligence plc (“Access Intelligence”)**

First Investment	Oct-08	Year ended**	30-Nov-13	30-Nov-14	30-Nov-15
Cost	£2,333,022	Turnover (£m)	8.3	4.2	8.1
Value	£3,245,909	Adjusted EBITDA	0.4	-0.7	-1.7
% held*	13.9%	Net assets (£m)	6.7	5.6	3.8

Access Intelligence is a leading supplier of Software-as-a-Service (SaaS) communications software and services for the UK Integrated Management Solutions market. In 2015 the company recently acquired Cision and Vocus. The company had £7.4m of recurring revenue at end November 2015 up from £3.4m in 2015. The Manager has a seat on Access Intelligence’s board of directors.

\* Beneficial ownership is 17.6% including the Ordinary Share Pool’s convertible loan

\*\* 2014 and 2015 restated Continuing Operations

**Fulcrum Utilities Services Limited (“Fulcrum”)**

First Investment	Jul-03	Year ended	31-Mar-13	31-Mar-14	31-Mar-15
Cost	£500,074	Turnover (£m)	38.7	38.2	33.7
Value	£1,625,130	EBITDA (£m)	1.2	0.6	2.2
% held	2.60%	Net assets (£m)	0.1	-1.8	1.1

Fulcrum is a leading independent utilities organisation that provides gas and multi-utility infrastructure design, technical engineering, project management, consultancy and audit services across all sectors nationally. Fulcrum’s combination of expertise, accreditation, nationwide coverage and heritage as part of the Gas Board, Transco and National Grid, ensures a streamlined and compliant utilities infrastructure solution is delivered for its customers.

## PART 3

### MANAGEMENT TEAM

#### The Investment Management Team

The Investment Management Team comprises four key executives with extensive industry backgrounds and in aggregate more than 50 years of venture capital experience. This experience has enabled the Manager to build up strong long-term business relationships, not only with the companies in which it has invested, but also with the key introducers of new investment enquiries in the sectors in which it operates, particularly in the software, support services and manufacturing sectors. The Manager has developed effective procedures for the post investment monitoring and support of portfolio companies by way of board representation, monitoring of management accounts and internal reporting practices. The Directors believe that such procedures are an essential element in successful venture capital management.

The Manager is actively involved with its investments, taking non-executive positions where appropriate, and has the ability and experience to add value to the investments.

**Michael Jackson MA FCA** (Chairman of the Manager) founded Elderstreet Investments Limited in 1990 and is its executive chairman. For the past 24 years, he has specialised in raising finance and investing in the smaller companies quoted and unquoted sector. From 1983 until 1987 he was a director and from 1987 until 2006 was chairman of FTSE 100 company The Sage Group plc. He was also chairman of PartyGaming plc, another FTSE 100 company. He is a director of Elderstreet portfolio companies Uvenco UK plc, Fords Packaging Systems Limited, Baldwin & Francis Holdings Limited, AngloInfo Limited, Macranet Limited and Access Intelligence plc. Michael studied law at Cambridge University, and qualified as a chartered accountant with Coopers & Lybrand before spending five years in marketing for various US multinational technology companies.

**William Horlick** joined Elderstreet Investments Limited in 1998. William graduated from RMA Sandhurst in 1980. Prior to joining Elderstreet Investments, he was managing director of a mail order company and spent seven years in investment banking and stockbroking. He has worked on over 60 company investments. William has held several board seats in the past on Elderstreet portfolio companies. He is also the investment manager of the Elderstreet EIS portfolio.

**Vin Murria DBA, MBA, BSc (Hons)** Vin's career has included a combination of venture capital, private equity and CEO/operational experience, centred around twenty years of M&A activity in the software sector. Vin spent seven years as Chief Executive Officer and founder of Advanced Computer Software Plc, a £765m market cap consolidator in the healthcare and business solutions sector which was acquired by Vista Private Equity in 2015, and five years as CEO of Computer Software Group plc, which following a take private and merger was acquired by Hellman Friedman for £500m. Vin is an independent non-executive director at Zoopla plc and Softcat Plc. Previous roles include COO for Kewill Systems plc, Chairman of Leeds Group Plc and non-executive director at Chime Plc, Greenko Plc and Concateno plc. Vin is a shareholder and director of the parent company of Elderstreet Investments Limited, Elderstreet Holdings Limited, and provides a source of deal flow and advice to the Manager.

#### Draper Esprit Managers

Draper Esprit is one of the leading venture capital investors involved in the creation, funding and development of high-growth technology businesses with an emphasis on digital technologies in the UK, the Republic of Ireland and Europe. Draper Esprit IPO'd on the AIM market in f the leading venture capital investors involved in the creation

A selection of the key investment executives at Draper Esprit follow.

**Simon Cook** (Chief Executive Officer) has been active in the UK venture capital industry since 1995. Previously, Simon was a partner with Cazenove and with Elderstreet Investments and a director at 3i in Cambridge. In 2006, he led the management buy-out of Cazenove Private Equity and acquisition of Prelude Ventures and he negotiated the Group's partnership with the Draper Venture Network. Simon has invested in a number of successful technology start-ups including Cambridge Silicon Radio (IPO), Virata (IPO), Horizon Discovery (IPO), nCipher (IPO), Lovefilm (sold to Amazon), Zeus (sold to Riverbed) and KVS (sold to Veritas). Simon currently works as a director or observer with Graze, Lyst, Sportpursuit, Crowdcube and Trustpilot. Prior to venture capital, Simon worked as a strategy and IT consultant at KPMG, where he established the Digital Media strategy consulting practice, and as a computer games developer including running his own development company started at age 19. Simon is a graduate of University of Manchester Institute of Science and Technology (UMIST) with a BSc in Computation. Simon is a former member of the EVCA Venture Platform group and was voted VC personality of the year 2008.

**Stuart Chapman** (Chief operating officer) Prior to joining the Draper Esprit Group, Stuart was a partner with 3i Ventures in London. He was also a founding partner of 3i US, based in Menlo Park, CA from 1999 until 2003. Stuart had 13 years of venture capital experience with 3i in Europe and the US. While he was in the US, Stuart was responsible for 3i's investments in Still Secure, CollegeNet, Appshop and Digital 5. Following his return from the US in October 2003 he was responsible for 3i's investments in The Cloud (sold to Sky), Searchspace and Magic 4 (sold to Openwave). Stuart was responsible for Esprit's investments in Lagan Technology and currently manages Achica and M-Files. Stuart is a member of the British Venture Capital Association Venture Committee. Prior to 3i, Stuart was involved in software and systems implementations for Midland Bank. He is a graduate of Loughborough University.

**Richard Marsh** (Partner – Encore Ventures) has worked in start-ups and venture capital since 1997 and is an experienced entrepreneur as well as a venture capitalist. He founded and built Datanomic, a Cambridge-based software company which was a pioneer of Data Quality software and was acquired by Oracle. As an investor, Richard has worked across software, hardware, mobile and cleantech sectors. He is responsible for the Group's investments in Garlik (acquired by Experian), GreenPeak Technologies, Polatis, Psytechnics (acquired by NetScout) and Displaydata. Richard is an Engineering graduate of Cambridge University where he also received his PhD. Richard holds an MBA from IMD Business School, Lausanne, where he was a Sainsbury Management Fellow.

**David Cummings** (Partner – Encore Ventures) has worked for IMI Plc, Lazard and KPMG. His early career at IMI Titanium was as a research and development metallurgist developing superconductors and titanium alloys. From 1986- 2002, David worked at Lazard, where he became a partner and the managing director running the TMT group in London. While there he gained a wide variety of experience in corporate finance, M&A, debt restructuring and equity capital markets based on over a decade of transactions in the TMT sector. From 2004-2011, David was a senior director of KPMG Corporate Finance focusing on Business development and relationship building with medium to large corporations in the telecom and technology sectors. David is an active investor in early stage private technology companies and is a member of Cambridge Angels. David is a graduate of Trinity Hall, Cambridge University (Natural Sciences) and London Business School (Msc21).

#### **Draper Venture Network**

Draper Esprit are also a part of the Draper Venture Network. Headquartered in Silicon Valley, the Draper Venture Network is a self-governed collective of ten independent growth and venture funds managing hundreds of portfolio companies in multiple countries. These independent venture capital funds are based in technology hubs across the world and collaborate on deals, diligence and the provision of value-added services. Esprit Capital is the Western European member of the Draper Venture Network. The Draper Venture Network has offices in Silicon Valley and a team of business development executives available to assist any network portfolio company. An annual CEO conference is arranged by the Draper Venture Network with attendance by hundreds of CEOs and dozens of business development executives of significant technology companies.

Draper Esprit believe the Group's membership of the Draper Venture Network provides it with a significant advantage in the origination and diligence of potential investments, the generation of market intelligence and the development of valuable corporate relationships. It also enables the Group to provide portfolio companies with assistance in approaching sources of funding in the United States for future fundraising rounds and provides them with an opportunity to expand into new and lucrative markets or to position them in global markets with the intention of attracting higher valuations at exit. Simon Cook, Draper Esprit's chief executive officer, is one of five global board directors of the Draper Venture Network.



## THE BOARD

The Company has five directors, all of whom are non-executive and the majority of whom are independent of the Manager.

**David Brock BSc** (Chairman) was, until July 1997, a main board director of MFI Furniture Group plc and managing director of MFI International Limited, having been involved at a senior level in both MFI's management buy-out and its subsequent flotation. He started his career at Marks and Spencer Plc. He is currently Chairman of Episys Group Limited and is a non-executive director of Hargreave Hale AIM VCT 1 plc and Puma VCT 8 plc.

**Hugh Aldous** is chairman of SPL Guernsey ICC Ltd. He is a director of Innospec Inc. (NASDAQ) and Polar Capital Holdings Plc. He was previously a partner of Grant Thornton UK LLP. He was a DTI Inspector and a member of the Competition Commission.

**Barry Dean FCA** is a chartered accountant and has over 30 years' experience in the private equity industry including 14 years as managing director of Dresdner Kleinwort Benson Private Equity Limited. He is currently a non-executive director of Downing ONE VCT plc and ProVen VCT plc.

**Michael Jackson MA FCA** (see biography above)

**Nicholas Lewis MA** is a partner of Downing LLP - a business he founded as Downing Corporate Finance Limited in 1986. Downing LLP specialises in managing, promoting and administering tax-based investments and has raised approximately £1 billion since 1991. Prior to founding Downing, he was with NatWest Ventures Limited and, before that, with Apax Partners & Co Limited.

The Board is responsible leading the Company, approving the Net Asset Value and for the determination of the Company's investment policy.

## PART 4

### INFORMATION RELATING TO THE OFFER

#### The Offer

The Offer is for New Ordinary Shares. The maximum number of New Ordinary Shares expected to be issued pursuant to the Offer is 14.2 million, representing approximately 28% of the enlarged issued Ordinary Shares of the Company (assuming the Maximum Subscription is raised and the Offer size is not increased at the Directors' discretion). This equates to a maximum approximate net amount to be raised of £9,450,000 based on Offer costs of 5.5%. The Offer is cost-neutral as regards the NAV of the Company as the costs are borne entirely by subscribers through the application of the Pricing Formula. There is no minimum subscription required for the Offer to proceed.

The unaudited net asset value per Ordinary Share as at 30 June 2016 was 68.9p (this being the most recent NAV per Ordinary Share published by the Company prior to the publication of this document). The Net Asset Value on which the price for the New Ordinary Shares is based is 66.4p per Ordinary Share, being the NAV of 68.9p as adjusted to reflect the payment of the 2.5p interim dividend declared in June 2016 and payable in December 2016. The Estimated Offer Price of 70.3p is the adjusted NAV of 66.4p grossed up for estimated Offer costs of 5.5%. Should there be a material movement in the NAV between the normal reporting dates, the Company may announce an updated unaudited NAV, which will be used to calculate the number of New Ordinary Shares to be allotted.

#### Reasons for the Offer

The Company is raising funds by way of the Offer for the tax years 2016/17 and 2017/18 to fund another phase of investment, as a result of the Company being almost fully invested. The Company considers that its new co-investment agreement with Draper Esprit will lead to a number of attractive investment opportunities for which new capital will be required.

The Offer will be open until 1 May 2017 (or such later date as the Directors may decide) though Investors who wish to have some or all of their New Ordinary Shares allotted in the tax year 2016/17 must return their Applications Forms so they are received by 5 April 2017. The Offer may close earlier if the Maximum Subscription is reached. VCTs are tax-efficient investment vehicles with both substantial income tax relief and freedom from capital gains tax on disposal of shares.

#### Benefits for Existing Shareholders

The Directors believe that the proposed fundraising under the new Offer will benefit Existing Shareholders in the following ways:

- Shareholders will suffer no NAV dilution as a result of the Offer as New Ordinary Shares will be issued at a price equal to NAV plus offer costs
- The New Ordinary Shares issued will increase the capital available to the Company which may be invested alongside existing capital. This affords existing Shareholders investment opportunities they might not otherwise have.
- The running costs of the Company will be spread over a larger combined asset base as a result of the issue of New Ordinary Shares, thereby reducing the level of the running costs attributable to each existing holder of Ordinary Shares and, therefore, providing the potential for enhanced returns to Existing Shareholders.
- The Board believe the co-investment agreement with Draper Esprit will bring substantial benefits to both existing and prospective new investors. Whilst there will be no change to the generalist investment policy of the Company, the ability to join a funding syndicate of Draper Esprit funds will bring access to larger deals in companies that enjoy higher revenues and which operate in high growth sectors. These more developed companies can scale very quickly and have the potential to IPO, exit, or attract further funding rounds more quickly than lower revenue companies.

#### Benefits for new Shareholders

The Directors believe that the proposed fundraising through the Offer may benefit new Shareholders in the following ways:

- The issue of the New Ordinary Shares provides new Shareholders with immediate exposure to Elderstreet's existing portfolio, including a number of mature companies.
- The issue of the New Ordinary Shares also gives new Shareholders exposure to companies within Elderstreet's existing portfolio which may no longer be able to receive VCT investment as they may not be Qualifying Investments under the amended legislation.

### **Use of proceeds**

The Board intends to invest the net proceeds from the Offer in accordance with the Company's existing investment policy as set out on pages 23 to 25.

The Company intends to invest at least 70% of funds raised in Qualifying Investments by 30 April 2020 and up to 30% invested in non-Qualifying Investments, including fixed income securities. The net proceeds of the Offer will be approximately £9.45 million with expenses of approximately £550,000 (in each case assuming Maximum Subscription and total costs of 5.5% on all Applications).

### **Terms of the Offer**

#### ***Promoter's Fee and Commissions applicable to the Offer***

#### **Applications made by Execution-Only Investors or by Professional Client Investors (non RDR)**

Promoter's Fee	3.0% of the Application Amount
Initial commission to Intermediaries	2.5% of the Application Amount
Trail commission	0.25% of the gross subscription per annum for five years (subject to a cumulative maximum trail commission of 1.25%)

#### **Applications from advised Retail Client Investors (RDR compliant)**

Promoter's Fee	3.0% of the Application Amount
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Adviser Charge - Such initial charges that are agreed between each Variable Investor and their financial intermediary

#### **Direct Investors**

Promoter's Fee	5.5% of the Application Amount
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#### **Early Investment Incentives**

Where an Investor's Application Form is received and accepted on or before 4.00 p.m. on 31 January 2017

(1) 2.0% rebate of Promoter's Fee as additional New Ordinary Shares;

and

(2) Full rebate of initial commission, where the Adviser has waived this for additional New Ordinary Shares

Where an Investor's Application Form is received and accepted on or before 4.00 p.m. on 28 February 2017

(1) 1.5% rebate of Promoter's Fee as additional New Ordinary Shares;

and

(2) Full rebate of initial commission, where the Adviser has waived this for additional New Ordinary Shares

*(subject to a cumulative maximum rebate of 4.5%)*

### Pricing of the Offer

Investors are invited to subscribe an amount in pounds sterling rather than apply for a particular number of New Ordinary Shares. The fees payable to the Promoter (subject to applicable early investment incentives) and to the Investor's financial intermediary will be taken into account in calculating the number of New Ordinary Shares the Investor will receive.

The price per New Ordinary Shares to be issued to each Applicant in the Company will be calculated based on the following Pricing Formula:

$$\text{PRICE PER NEW ORDINARY SHARE (IN PENCE)} = \text{NET ASSET VALUE} / X$$

$$X = 1 - \text{NET TOTAL FEES}^1 (\%)$$

The resulting price per New Ordinary Share will be rounded down to 1 decimal place. The number of New Ordinary Shares to be issued will be calculated by dividing the amount subscribed by the offer price and rounding down to the nearest whole Share.

If an updated NAV per Ordinary Share is announced after publication of this document, this updated NAV will be used to calculate the price and the number of New Ordinary Shares to be issued. Should there be a material movement in the NAV between the normal reporting dates, the Company may announce an updated unaudited NAV by announcement on a Regulation Information Service. The NAV used in the Pricing Formula will be adjusted, as required, to account for dividends payable to existing Shareholders where these are not yet reflected in the NAV.

#### Example 1

If an Investor (paying a combined Promoter's Fee and Adviser Charge to his intermediary of 5.5% and assuming he was not entitled to the Early Investment Incentive) were to subscribe £10,000, with the Company's adjusted Net Asset Value standing at **66.4p**, they would pay **70.3p** per Share and receive a total of **14,224** New Ordinary Shares.

#### Example 2

An Investor in the same circumstances as above but who had agreed a smaller Adviser Charge (assuming a standard Adviser Charge of 2.5%) of 1.0% with their financial intermediary would pay a combined fee of 4.5%. This would mean the Investor pays **69.6p** per Share and would receive **14,367** New Ordinary Shares for his £10,000 subscription.

In each case, the Company shall settle fees to the Promoter and to Investors' financial intermediaries from the gross subscriptions received from Investors.

#### Example 3 (Early Investment Incentives)

If an Investor submits his Application Form before 31 January 2017, he will have 2.0% of the usual Promoter's Fee rebated to him in the form of additional New Ordinary Shares (1.5% where investment is received before 28 February 2017) under the Early Investment Incentive.

If his adviser is eligible for commission but chooses to waive this entirely in lieu of additional shares, the Investor will be entitled to receive the maximum rebate available under the terms of the Offer of 4.5%. In this case, his total offer costs would be only 1.0%, and, for a £10,000 subscription where the latest adjusted NAV of the Offer Shares is 66.4p, he will receive **14,903** New Ordinary Shares at an effective subscription price of **67.1p** per share.

Where a different early Investor has instead agreed an Adviser Charge with their intermediary of 3.0%, he will still enjoy a 2.0% rebate of the Promoter's Fee and his total offer costs will be 4.0%. For his £10,000 subscription, where the latest adjusted NAV of the Offer Shares is 66.4p, he will receive **14,450** New Ordinary Shares at an effective subscription price of **69.2p** per share.

In each case, Investors can then claim VCT income tax relief of 30% on their **gross subscription** rather than the net amount after the payment of fees subject to their personal circumstances. This would equate to £3,000 of relief in respect of the £10,000 subscription noted in the above examples.

Some further information about when Adviser Charges are applicable and when Commission is applicable is set out below.

### **Adviser Charges**

Commission (including on-going trail commission) is generally not permitted to be paid to Intermediaries who provide a personal recommendation to UK retail clients on investments in VCTs. Instead of commission being paid by the VCT, an Adviser Charge will usually be agreed between the intermediary and Investor for the advice and related services. This fee can either be paid directly by the Investor to the intermediary or, if it is an initial one-off fee, the payment of such fee may be facilitated by the Company out of the Investor's funds received by the Company. Ongoing fees to intermediaries will not be facilitated by the Company. If the payment of the Adviser Charge is to be facilitated by the Company, then the Investor is required to specify the amount of the charge in box 3 of the relevant Application Form. The Investor will be issued fewer New Ordinary Shares (to the equivalent value of the Adviser Charge) through the Pricing Formula set out above. The Adviser Charge is deemed to be inclusive of VAT, where applicable.<sup>1</sup>

### **Commission**

Commission may be payable where there is an Execution Only Investor and no advice has been provided by the intermediary to the Investor. Commission is payable by the Company and is taken into account in the Pricing Formula. Those Intermediaries who are permitted to receive commission will usually receive an initial commission of 2% of the amount invested by their clients under the Offer. Additionally, provided that the intermediary continues to act for the Investor and the Investor continues to be the beneficial owner of the New Ordinary Shares, and subject to applicable laws and regulations, the Intermediary will usually be paid an annual trail commission of 0.25% of their client Investors' gross subscriptions for five years. Trail commission will be paid annually in October (commencing in October 2017) by the Company.

### **Minimum Subscription**

The minimum subscription amount for an Applicant in relation to the New Ordinary Share is £6,000 and, provided this condition is met, Applications under the Offer may be for any amount thereafter in multiples of £1,000. There is no maximum individual subscription level under the Offer but the maximum investment on which tax reliefs on investments in VCTs are currently available is £200,000 in the 2016/17 tax year (£200,000 per spouse).

The Offer will not be revoked in respect of New Ordinary Shares that have been admitted to the Official List and to trading on the London Stock Exchange.

### **Capital Raising Fees**

The Manager has agreed, in return for its Promoter's Fee, to be responsible for paying the costs of the Offer. Excluded from such costs are any initial commissions or Adviser Charges payable in relation to applications, which are facilitated through the Pricing Formula, any trail commission payable in the future, the cost of a circular and the Registrar's costs in issuing the applicable share certificates all of which will be payable by the Company.

### **Timetable**

The Offer will remain open until the earlier of 4.00 p.m. on 1 May 2017 (unless previously extended by the Directors) and the date on which the relevant Maximum Subscription is reached though Application Forms specifying that some or all Shares are to be allotted in the tax year 2016/17 must be returned by 10.00 a.m. on 5 April 2017. The results of the Offer and any exercise of the Directors' right to extend the Offer will be announced to the London Stock Exchange through a Regulatory Information Service provider authorised by the Financial Conduct Authority. It is expected that dealings will commence no later than 10 Business Days following the date of allotment. Share certificates are expected to be issued (and, where relevant, CREST accounts credited) no later than 10 Business Days following the date of allotment.

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<sup>1</sup> Net Total Fees are the Promoter's Fee and Commission/Adviser Charge, each expressed as a percentage of the amount subscribed, adjusted for any applicable Early Investment Incentive. The Net Total Fees figure will in each case be calculated as a percentage of 1 (e.g. 0.055 would equate to 5.5%).

**Application procedure**

The Directors in their absolute discretion will determine the basis of allocation of the New Ordinary Shares but expect to allocate on a first come/first served basis. To the extent that any Application is not accepted, any excess payment will be returned without interest by returning the Applicant's payment through the post at the risk of the person entitled thereto. The Receiving Agent will not acknowledge receipt of Applications unless an email address is provided in which case an email acknowledgement will be sent. An Application Form together with notes on its completion is set out at the end of this document.

Provided that Applications are for the minimum subscription amount of £6,000, they can be for any amount thereafter in multiples of £1,000. Application Forms should be sent or delivered, together with the full amount payable in respect of the Application, by post or by hand to The City Partnership (UK) Ltd, 110 George Street, Edinburgh EH2 4LH. All payments must be made in pounds sterling by cheque or banker's draft made payable to "City Partnership - Elderstreet VCT plc" and crossed "A/C payee only". Your attention is drawn to the statements concerning the Money Laundering Regulations 2007 in the terms and conditions of application. A person may make multiple Applications, each of which will be treated as a separate Application by the Company.

**Admission to trading and dealing arrangements**

Application will be made for Admission in respect of the New Ordinary Shares. Following Admission, announcements of allotments pursuant to the Offer will be made as required by the Listing Rules. It is expected that Admission will become effective and dealings in the New Ordinary Shares will commence within 10 Business Days after their allotment. Definitive share certificates are expected to be despatched to successful Applicants by post within 10 Business Days of their allotment, and successful Applicants will be notified of the total number of New Ordinary Shares issued to them by receipt of such share certificates. Temporary documents of title will not be used in connection with the allotment of New Ordinary Shares. Dealings prior to receipt of share certificates will be at the risk of the Applicants.

New Ordinary Shares will be in registered form capable of being transferred by means of the CREST system. Those Applicants who wish to take advantage of the ability to trade in New Ordinary Shares in uncertificated form, and who have access to a CREST account, may arrange with their CREST operator to hold their New Ordinary Shares in dematerialised form. Investors should be aware that New Ordinary Shares delivered in certificated form are likely to incur higher dealing costs than those in respect of Shares held in CREST.



## PART 5

### BENEFITS OF VENTURE CAPITAL TRUSTS

Venture Capital Trusts provide private investors with an attractive and tax-efficient method of investing in a portfolio of small to medium-size trading companies in the UK. It is often difficult for private investors to have access to such investment opportunities, and few have the time or means to identify, assemble and monitor a portfolio of companies with such potential. VCTs also offer substantial tax benefits to private investors.

The principal benefits offered by VCTs to private investors are:

**Income tax relief** Private investors subscribing for new shares in a VCT in the 2016/17 or 2017/18 tax years should receive income tax relief at 30% of the amount subscribed against their income tax liability in the year of subscription, provided that such shares are held for at least five years.

**Tax-free dividends** Private investors should be exempt from income tax on dividends received from a VCT.

**Capital gains tax exemption** There should be no capital gains tax on disposal of shares in a VCT; conversely there is no relief for losses.

**Personal taxation benefits** All the reliefs described above are available to individual investors, provided certain conditions are met and the shares are acquired within the permitted maximum of £200,000 in any one tax year. Relief from income tax on investment only applies to subscriptions for new shares.

**Professional investment team** VCTs are advised by professional advisers with specific experience and proven track records. Prior to the launching of a VCT the investment manager(s) must meet certain criteria laid down by the FCA Rules and the VCT must have obtained approval (provisional or full) by HMRC.

**Corporate governance** VCTs must appoint a board of directors who are majority independent of the investment manager(s) and led by an independent Chairman.

**Spread of investments** VCTs spread their investments across a range of companies (either within the same sector or across several sectors), with a view to creating a more balanced portfolio than could be achieved by individuals investing in separate companies.

**Tax-free realisations** Capital gains realised by a VCT should be exempt from corporation tax within the VCT thereby potentially increasing distributions to shareholders.

**Admission to the Official List** The shares of a VCT must be listed on a European regulated market providing investors with a potential market to trade their shares and a means of assessing their value.

**The above is only an outline of the tax reliefs and should be read in conjunction with the detailed provisions of the current legislation, a summary of which appears in Parts 6 and 7 of this prospectus.**

**Prospective investors are recommended to consult a professional adviser as to the taxation consequences of investment in a VCT.**

## PART 6

### TAX POSITION OF INVESTORS

The tax reliefs set out below are available to individuals aged 18 or over who subscribe under the Offer. Whilst there is no specific limit on the amount of an individual's acquisitions of shares in a VCT, tax reliefs will only be given to the extent that the total of an individual's subscriptions or other acquisitions of shares in VCTs in any tax year does not exceed £200,000. Tax treatment depends on the individual circumstances of each Investor and may be subject to change in the future.

**Investors who intend to invest more than £200,000 in VCTs in any one tax year should consult their professional advisers.**

#### (a) Income Tax

##### (i) Relief from income tax on investment

A private investor subscribing for New Ordinary Shares will be entitled to claim income tax relief on amounts subscribed (along with any other VCT shares subscribed for) up to a maximum of £200,000 in any tax year. For the 2016/17 and 2017/18 tax years the relief is given at 30% of the amount subscribed although the relief cannot exceed the amount which reduces the Investor's income tax liability to nil. Investments to be used as security for or financed by loans may not qualify for relief, depending on the circumstances. Tax relief is restricted on subscriptions for shares in a VCT where, within six months of subscription, the investor disposes of shares in the same VCT (or in another VCT which at any time merges with that VCT).

##### (ii) Dividend relief

An Investor who acquires in any tax year New Ordinary Shares having a value (along with any other VCT shares acquired by him in that tax year) of up to £200,000 will not be liable to income tax on dividends paid by the VCT on those shares.

The return to Investors from the Company will depend on the type of profit received by it. Capital gains realised by a VCT are tax-free. No tax is payable by a VCT on distributing these gains by way of dividend and such dividends are received tax-free by shareholders who benefit from dividend relief. However, income received by a VCT will usually constitute either interest (on which the VCT may be subject to tax) or a dividend from a UK company (on which the VCT would not be subject to tax). Such income as is reduced by the payment of tax (if applicable) can be distributed tax-free to shareholders who benefit from dividend relief. It is expected, however, that the bulk of the returns generated by the Company will derive from the realisation of capital gains from its portfolio.

##### (iii) Purchases in the market

An individual purchaser of existing Ordinary Shares in the market will be entitled to claim dividend relief (as described in paragraph (ii) above) but not relief from income tax on the purchase price.

##### (iv) Withdrawal of relief

Relief from income tax on a subscription for shares in a VCT is withdrawn if the shares are disposed of (other than between spouses) within five years of issue or if the VCT loses its approval within this period (see below). Relief also ceases to be available on any dividend paid in respect of profits or gains in any accounting period ending at a time when VCT status has been lost.

#### (b) Capital Gains Tax

##### (i) Relief on the disposal of New Ordinary Shares

A disposal by an Investor of New Ordinary Shares will give rise to neither a chargeable gain nor an allowable loss for the purposes of UK capital gains tax. The relief is limited to the disposal of New Ordinary Shares acquired within the limit of £200,000 for any tax year, determined as for dividend relief.

(ii) Purchases in the market

An individual purchaser of existing Ordinary Shares in the market will be entitled to claim relief on disposal (as described in paragraph (i) above).

(iii) Withdrawal of relief

If a company which has been granted approval as a VCT subsequently fails to comply with the conditions for approval, approval as a VCT may be withdrawn or treated as never having been given. The exemption from corporation tax on capital gains will not apply to any gain realised by the VCT after this time. If VCT approval is withdrawn, any gains on the New Ordinary Shares up to the date from which loss of VCT status is treated as taking effect will be exempt but gains thereafter will be taxable.

**Obtaining tax reliefs**

A VCT will provide to each investor a certificate which the investor may use to claim income tax relief, either by obtaining from HMRC an adjustment to his tax code under the PAYE system or by waiting until the end of the tax year and using his tax return to claim relief.

**Investors not resident in the UK**

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

**The above is only a summary of the law as at the date of this document concerning the tax position of investors in VCTs. The tax rates and reliefs shown are those currently in use and could alter in future years. Prospective investors are recommended to consult a professional adviser as to the taxation consequences of investment in a VCT.**

## PART 7

### TAX POSITION OF THE COMPANY

#### 1. Qualification as a VCT

The legislation relating to VCTs sets out tests which a company has to satisfy to obtain the tax benefits for the VCT and its shareholders. The legislation summarised below is that in force as at the date of this Prospectus.

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

- (a) it must not be a close company;
- (b) it must have each class of its ordinary share capital listed on a European regulated market throughout the accounting period following that in which the application for approval is made;
- (c) it must derive its income wholly or mainly from shares or securities;
- (d) at least 70% by value of its investments must be represented by shares and securities comprising Qualifying Investments; and
- (e) as regards funds raised:
  - (i) prior to 6 April 2011, at least 30% by value of its Qualifying Investments must be represented by holdings of 'eligible shares'. For such funds, 'eligible shares' are ordinary shares which carry no present or future preferential rights to dividends or to a portfolio company's assets on its winding-up, and no present or future right to be redeemed; and
  - (ii) after 5 April 2011, at least 70% by value of its Qualifying Investments must be represented by holdings of 'eligible shares'. For such funds, 'eligible shares' are ordinary shares which carry no present or future preferential rights to a portfolio company's assets on its winding-up, and no present or future right to be redeemed, but which may have certain preferential rights to dividends;
- (f) in addition, at least 10% of its total investment in any Qualifying Company must consist of eligible shares;
- (g) not more than 15% by value of its investments may be in a single company or group (other than a VCT or a company which would, if its shares were listed, qualify as a VCT);
- (h) not more than 15% of its income derived from shares and securities in any accounting period may be retained;
- (i) the VCT must only make Qualifying Investments, or certain non-qualifying investments permitted by section 274 ITA 2007;
- (j) no investment by a VCT can cause a company to receive more than a total of £5 million in any period of twelve months, nor than £12 million (£20 million for "knowledge intensive" companies) over its lifetime, of State Aid risk finance;
- (k) a VCT cannot invest in a company whose first commercial sale was more than seven years ago (ten years for a "knowledge intensive" company) unless the company had previously received State Aid risk finance within that period or a turnover test is met; and
- (l) an investment by a VCT cannot be used by an investee to acquire a trade, business or shares in a company.

Conditions (j) to (l) above do not apply to ordinary shares or securities listed on a regulated market (such as the London Stock Exchange) or to shares or units in alternative investment funds or UCITS which may be repurchased or redeemed on seven days' notice.

#### 2. Qualifying Investments

To be a Qualifying Investment, an investment must consist of shares or securities first issued to the VCT (and held by it ever since) by an unquoted company satisfying certain conditions. The conditions are complex but include conditions that any investment must be in a qualifying company which must:

- (a) have gross assets not exceeding £15 million immediately before and £16 million immediately after the VCTs investment (these tests are applied on a group basis if applicable);
- (b) have fewer than 250 full-time employees (or their equivalents) at the date on which the VCT investment is made (this test is applied on a group basis if applicable);
- (c) not have raised more than £5 million in the 12 month period ending on the date of the VCT's investment, nor more than a lifetime total of £12 million (£20 million for a "knowledge intensive" company), from State Aid sources including from VCTs and under the Enterprise Investment Scheme;
- (d) have had its first commercial sale less than seven years ago (ten years for a "knowledge intensive" company) unless the company had previously received State Aid risk finance within that period or a turnover test is met;
- (e) apply the money raised for the purposes of a qualifying trade within certain time periods and more generally for the purpose of growth and development of its business;
- (f) must at all times have a permanent establishment in the United Kingdom; and
- (g) not be controlled by another company.

Companies whose shares are traded on AIM are treated as unquoted companies for the purposes of eligibility as a Qualifying Investment. Unquoted company shares that subsequently become listed may still be regarded as a Qualifying Investment for a further five years following listing, provided all other conditions are met.

### **3. Qualifying Companies**

A qualifying company must exist wholly or mainly for the purpose of carrying on a qualifying trade or be the parent company of a qualifying trading group. For this purpose certain activities are prohibited such as dealing in land or shares or providing financial, legal or accountancy services, managing nursing homes or hotels (where the manager is in occupation or owns an interest in the land), property development, leasing or farming, shipbuilding, and coal and steel production. The trade must either be carried on by, or be intended to be carried on by, the qualifying company or by a qualifying subsidiary at the time of the issue of its shares or securities to the VCT (and by such company or its qualifying subsidiary at all times thereafter). A qualifying subsidiary is at least 90% directly owned by the qualifying company, or is a 100% subsidiary of at least a 90% subsidiary of the qualifying company, or is at least a 90% subsidiary of a 100% subsidiary of the qualifying company.

A company intending to carry on a qualifying trade must begin to trade within two years of the issue of shares or securities to the VCT.

A qualifying company can be the parent company of a trading group. If this is the case, the group, when taken together as one business, must carry on activities which constitute a qualifying trade. Any subsidiary must be more than 50% owned. However, if a subsidiary is one which carries on the trade by reference to which the investment is to qualify as a Qualifying Investment, that subsidiary must be a 90% qualifying subsidiary as described above.

### **4. Approval as a VCT**

A VCT must be approved at all times by HMRC. Approval has effect from the time specified in the approval. A VCT cannot be approved unless the tests are met throughout the most recent complete accounting period of the VCT and HMRC is satisfied that they will be met in relation to the accounting period of the VCT which is current when the application is made. However, in order to facilitate the launch of a VCT, HMRC may provisionally approve a VCT notwithstanding that certain of the tests are not met at the time of application, provided that HMRC is satisfied that the tests will be met within certain time limits. In particular, in the case of the test described at 1(d) above, approval may be given if HMRC is satisfied that this will be met throughout an accounting period of the VCT beginning no more than three years after the date when approval takes effect.

### **5. Withholding Tax at Source**

There is no withholding tax on dividends paid by a UK company and, consequently, the Company does not assume responsibility for withholding tax at source on dividends.

## PART 8

### GENERAL INFORMATION

#### 1. The Company

- 1.1 Elderstreet VCT plc was incorporated in England and Wales on 26 August 1997 and operates under the Act as a public company limited by shares, with registered number 03424984.
- 1.2 The registered office of the Company is Ergon House, Horseferry Road, London SW1P 2AL. Its principal place of business is at 10-11 Charterhouse Square, London EC1M 6EH and its telephone contact number 020 7831 5088.
- 1.3 HMRC provisional approval was granted to the Company to trade as a VCT under the Income and Corporation Taxes Act 1988 (as amended) on 28 January 1998 and since that date the Company has carried on its business in accordance with that act and the ITA. The Company intends to continue to carry on its business such that its VCT status will be maintained. The various requirements are now contained within the ITA.
- 1.4 The Company has issued the following shares since 31 December 2012:

Date	Class	Number	Average price (pence)
April 2013	Ordinary	1,291,055	67.5p
19 September 2014	Ordinary	948,110	72.2p
18 December 2014	Ordinary	2,240,885	68.14p
12 March 2015	Ordinary	778,478	71.9p
13 April 2015	Ordinary	112,585	71.5p
30 June 2015	Ordinary	338,198	66.6p
4 April 2016	Ordinary	2,502,810	70.6p
6 April 2016	Ordinary	88,362	70.96p

#### 1.5 Current share capital:

- 1.5.1 As at 30 June 2016, the issued share capital of the Company was 37,034,366 fully paid up Ordinary Shares with a nominal value of 5p each. The ISIN of the Ordinary Shares is GB0002867140. Ordinary Shares to be issued pursuant to the Offer will rank pari passu in all respects with the existing Ordinary Shares.
- 1.5.2 At close of the Offer, assuming the Maximum Subscription is raised, Existing Shareholders will hold approximately 72% of the enlarged Ordinary Share capital of the Company.

#### 2. The Investment Manager

- 2.1 Elderstreet Investments Limited (the "Manager") was incorporated in England and Wales on 18 June 1984 and operates under the Act as a private company limited by shares, with registered number 01825358. It is domiciled in the United Kingdom.
- 2.2 The registered office and principal place of business of the Manager is 10-11 Charterhouse Square, London EC1M 6EH and its telephone contact number is 020 7831 5088. The Manager is authorised and regulated by the FCA with registered number 148527 and, as a small authorised UK AIFM, has permission to manage Smaller Alternative Investment Funds under the Alternative Investment Fund Managers Directive (AIFMD).
- 2.3 The Manager is a venture capital fund management company. Funds managed by the Manager include Elderstreet Capital Partners Limited Partnership, the Company and the Elderstreet EIS portfolio. The Manager is a wholly owned subsidiary of Elderstreet Holdings Limited. Michael Jackson is a significant shareholder in Elderstreet Holdings Limited.



- 2.4 The Manager provides custody services to the Company by holding securities in certificated form on behalf of the Company. The Company has no other third party custodian.

### 3. Directors' and other interests

- 3.1 As at 11 December 2016 (being the latest practicable date prior to the publication of this document), the Company is not aware of any person who is or, immediately following the Offer, will be, directly or indirectly, interested in 3% or more of the issued share capital of the Company, or who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company. No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option. No shares of the Company represent anything other than capital. There are no convertible securities, exchangeable securities or securities with warrants attached to them currently in issue by the Company.
- 3.2 The interests (all of which are or will be beneficial unless otherwise stated) of the Directors, their immediate families and persons connected with the Directors (a "Connected Person") in the share capital of the Company:
- (a) have been notified to the Company; or
- (b) are required to be entered in the register of directors' interests maintained under the provisions of section 809 of the Act; or
- (c) to be disclosed under (a) or (b) above and the existence of which is known to, or could be reasonable diligence be ascertained by that Director, as at the date of this document and as they will be immediately following Admission, are as set out in the following table below:

Director	Current Shareholding %	Shareholding following Admission %
Michael Jackson	2.16%	1.56%
Nicholas Lewis	0.13%	0.09%
David Brock	0.28%	0.20%
Hugh Aldous	0.06%	0.04%
Barry Dean	0.06%	0.04%

\* This amounts to approximately 2.68% of the issued share capital of the Company prior to Admission, and to approximately 1.94% of the total enlarged issued share capital of the Company following Admission (assuming the Maximum Subscription is raised).

- 3.3 Save as disclosed in paragraph 3.2 of this Part 8, immediately following Admission, no Director, nor any Connected Person, will have any interest, whether beneficial or non-beneficial, in the share or loan capital of the Company or any of its subsidiary undertakings.
- 3.4 No New Ordinary Shares under the Offer are being reserved for allocation to existing shareholders, directors or employees of the Company or the Manager.
- 3.5 Each of the Directors has a consultancy agreement with the Company; the current fees, term and notice periods of the Directors as follows:

Director	Agreement Date	Fees per Annum	Term	Performance Incentive / Fee Entitlement*	Notice Period
David Brock	30 Jan 1998	£22,500	rolling	0%	3 months
Hugh Aldous	1 Mar 2007	£17,500	rolling	0%	3 months
Barry Dean	25 Jan 2005	£17,500	rolling	0%	3 months
Michael Jackson**	30 Jan 1998	£15,000	rolling	100%	3 months
Nicholas Lewis***	30 Jan 1998	£15,000	rolling	0%	3 months

\* Details of the performance incentive fees to which the Manager is, or may be entitled, are set out in paragraphs 5.1 below.

\*\* Michael Jackson is a director of and 53.8% shareholder in Elderstreet Holdings Limited, a company of which the Manager is a wholly owned subsidiary. The Manager is entitled to 100% of the performance incentive fees and investment management fees from the Company from which it will pay a service charge to Draper Esprit plc going forward.

\*\*\* Nicholas Lewis is a member of Downing LLP, which provides administration services to the Company.

3.6 Save as disclosed in this document, the Directors do not have any other commission or profit sharing arrangements with the Company. The agreements do not contain any provision for compensation payable upon early termination of the agreements.

3.7 The following are directorships (unless otherwise stated) and partnerships held by the Directors in the five years prior to the date of this document and the principal activities of the Directors outside the Company where these are significant with respect to the Company:

<b>Name</b>	<b>Current</b>	<b>Past five years</b>
David Brock	Leeson Limited Puma 8 VCT plc Hargreave Hale AIM VCT 1 plc Episys Group Limited	Park Regis Birmingham LLP Puma VCT II plc Puma VCT plc Puma VCT III plc
Hugh Aldous	Polar Capital Holdings plc Innospec Inc SPL Guernsey ICC Ltd DKP Consultants Limited	Schroder Asian Total Return Investment Company plc Smart Education Limited Capita Sinclair Henderson Ltd
Barry Dean	Downing ONE VCT plc ProVEN VCT plc St James LP St James II LP	Downing Absolute Income VCT 2 plc Henderson Private Equity Investment Trust plc
Michael Jackson	AI Controlpoint Limited A.I. Talent Ltd Access Intelligence Plc Access Intelligence Media and Communications Limited Aimediadata Ltd Backup And Running Plc Itim Group Limited Macranet Limited Fords Packaging Topco Limited Auto Service Finance Limited Elderstreet Nominees Limited Angloinfo Limited Baldwin & Francis Limited Netcall Plc Fords Packaging Systems 1998 Limited Fords Packaging Systems Limited Access Intelligence Plc Contis Group Limited Soames Limited Uvenco Uk Plc (previously Snacktime plc) Elderstreet Holdings Limited The Kellan Group Plc Concorde Solutions Ltd Syncissue Limited Royal Albert Hall Developments Limited Elderstreet Capital Partners Nominees Limited Elderstreet Ballater Limited Elderstreet Private Equity Limited Old Vicarage Nominees Limited Select Software Tools Plc Elderstreet Investments Limited	B & F Management Limited Contact London (Services) Limited E-Trader Group Limited Trailight Ltd (previously Aitrackrecord Limited) Pelham Gardens Freehold Limited Snacktime Uk Limited Due North Limited Starcom Technologies Limited Advanced Computer Software Group Limited Intercede 2445 Limited Evolve Capital Plc Aconite Technology Limited Tracsis Traffic Data Limited Forsyth Whitehead & Associates Limited Burra Burra Distribution Ltd Investments West Midlands Plc Synchronica Limited Baldwin & Francis Limited

<p>Nicholas Lewis</p>	<p>Horseferry Developments LLP  Ludorum Plc  Downing Members Limited  Harrogate Street BPRA LLP  Baron House Hotel Limited  West Bar Hotel Limited  Snow Hill Hotel Limited  London Luton Hotel 2010 Limited  Cumberland House Hotel Birmingham Limited  Fenkle Street Hotel Limited  Moor House Hotel Liverpool Limited  Downing LLP  BOV LLP  Frame Wiesbaden LLP  Horseferry Associates Limited  Ebury Corporate Services Limited  Downing Corporate Finance Limited  Blakes Partnership LLP  Heyford Contract (South) Limited</p>	<p>Downing Planned Exit VCT 9 Plc  Downing Planned Exit VCT 8 Plc  Dalian House Hotel Limited  Gingerbread Nurseries 4 Ltd  Gingerbread Nurseries 3 Ltd  Gingerbread Nurseries 2 Ltd  Downing Managers 9 Limited  Downing Managers 8 Limited  Downing Managers 6 Limited  Downing Managers 7 Limited  Honeycombe Pubs VCT Limited  Downing Managers 5 Limited  Downing Managers 4 Limited  Downing Managers 3 Limited  Downing Absolute Income VCT 2 Plc  Downing Managers 2 Limited  Downing Managers 1 Limited  N.W.B. Developments Limited  Best Loans Limited  Downing Asset Management Limited  Combined Limited  Downing Management Services Limited  Downing (Alton) Limited  Downing Care Homes Holdings Limited  Downing (Pirbright Road) Limited  Downing (Chertsey Road) Limited  Kimbolton Lodge Limited  Congress House Limited  Bowman Care Homes Limited  Downing Planned Exit VCT 6 plc  Downing Planned Exit VCT 7 plc  Heyford Homes (Milton Keynes) Limited  Cannock Residential Limited  Heyford Homes (Thornton Hall) Limited  City Edinburgh Limited  Cheers Dumbarton Limited  Lochrise Limited  Fubar Stirling Limited  City Falkirk Limited  Downing Absolute Income VCT 1 plc  Tooting Tram and Social Limited  Future Films Production Services Limited  ProVEN Growth and Income VCT plc</p>
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- 3.8 None of the Directors nor any member of the Investment Adviser has for at least the previous five years: (i) had any convictions in relation to fraudulent offences; or (ii) been associated with bankruptcies, receiverships or liquidations (save for members' voluntary liquidations) in relation to an entity for which they have been acting as members of the administrative, management or supervisory bodies or senior management who was relevant to establishing that the entity had the appropriate expertise and experience for the management of its business; or (iii) been subject to any official public incrimination and/or sanctions by any statutory or regulatory authority (including designated professional bodies) or been disqualified by a Court from acting as a director or member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any issuer.
- 3.9 The Company complies with the provisions of the UK Corporate Governance Code, with the exception of the following, for the reasons set out below:
- (i) new Directors do not receive a full, formal and tailored induction on joining the Board and such matters are addressed on an individual basis as they arise. In addition, as the Company does not have any major shareholders, shareholders are not given an opportunity to meet any new non-executive directors at specific meetings other than at the general meetings of the Company;
  - (ii) due to the size of the Board, there are no formal performance evaluations of the Board, their committees, the individual Directors or the Chairman. Specific performance issues are dealt with as they arise; and
  - (iii) the Directors do not have service contracts but do have consultancy agreements, further details of which are set out at 3.5 above, whereas the recommendation in the UK Corporate Governance Code is for fixed term renewable contracts.

The Board comprises five members, all of whom are non-executive directors and the majority of whom are considered to be independent of the Manager.

The Board meets regularly throughout the year (normally at least quarterly) and all necessary information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively. Additionally, special meetings take place or other arrangements are made when Board decisions are required in advance of regular meetings. The Board is responsible for controlling the Company. The Board is responsible for the determination and calculation of the Company's Net Asset Value, which will be undertaken in accordance with the Company's accounting policies (the Company's current accounting policies are set out on pages 36 and 37 of its report and accounts for the year ended 31 December 2015) and published on an appropriate regulatory information service (including in the announcement of annual and half yearly results of the Company). In the unlikely event that valuation was suspended, where the underlying data necessary to value the investments of the Company could not readily, without undue expenditure, be obtained, such suspension would be communicated to shareholders in a similar manner.

- 3.10 As the Company has a small Board of non-executive Directors, all Directors sit on the Nomination Committee and Remuneration Committee. David Brock is the Chairman of both Committees. David Brock and Hugh Aldous sit on the Audit Committee. Hugh Aldous is Chairman of the Audit Committee. Committee meetings are held in conjunction with the Board meetings. The Audit Committee is responsible for:
- monitoring the Company's financial reporting;
  - reviewing internal controls and risk management systems; and
  - matters regarding audit and external auditors.

The Remuneration Committee meets, as required, to discuss the existing levels of remuneration for the non-executive Directors and whether they reflect the time commitment and responsibilities of the positions and are comparable with industry standards. Where deemed necessary, they will recommend adjustments to the remuneration levels.

#### **4. General Information**

- 4.1 There have not been any governmental, legal or arbitration proceedings in the 12 months prior to the publication of this document which may have, or have had in the recent past a significant effect on the financial position or profitability of the Company, nor are there any such proceedings pending or threatened of which the Company is aware.

- 4.2 No person receiving a copy of this document or an Application Form in any territory other than the UK may treat the same as constituting an offer or invitation to him to subscribe for or purchase New Ordinary Shares.
- 4.3 Shareholders' authority to create, allot and issue new Ordinary Shares up to an aggregate maximum nominal value of £1,500,000, with pre-emption rights disapplied in respect of such issues, was obtained at the annual general meeting of the Company held on 28 June 2016. All Shareholders will have the same voting rights in respect of the existing share capital of the Company. An existing holder of Ordinary Shares who does not subscribe for New Ordinary Shares pursuant to the Offer would experience no dilution in terms of NAV per share (as the assets of the Company will be increased by the proceeds of the Offer and the upfront costs of the Offer are borne by subscribers). The Offer Shares are ordinary shares of five pence each (ISIN: GB0002867140) created under the CA 2006 and are freely transferable.
- 4.4 No action has been taken to permit the distribution of this document in any jurisdiction outside the UK where such action is required to be taken. All applicants under the Offer will be required to warrant that they are not a US Person.
- 4.5 All information regarding Draper Esprit in this Prospectus has been sourced by the Company from Draper Esprit plc and has been accurately reproduced and that as far as the issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 4.6 Where other information set out in this document has been sourced from third parties the source has been identified at the relevant place in the document and the Company confirms that this information has been accurately reproduced and, as far as the Company is aware and able to ascertain from information published, no facts have been omitted which would render the reproduced information inaccurate or misleading.

## 5. Material Contracts

- 5.1 Under an agreement (the "Investment Management Agreement") dated 30 January 1998 between the Company and the Manager (which was subsequently novated to the subsidiary of the Manager, Elderstreet Private Equity Limited, varied by an agreement dated 1 July 2009 and subsequently novated back to the Manager), the Manager provides investment advisory services to the Company in respect of its portfolio of Qualifying Investments for a fee of 2% of net assets (as defined in the agreement), together with a performance incentive fee. Performance incentive fees are payable when dividend payments and/or distributions equivalent to not less than 3.5p per Share in any one financial year are made. As long as the NAV, before the distribution, is higher than 70.6p per Share, the Manager will receive 20% of the distribution amount over 3.5p per Share. The performance incentive fee will also have a catch-up should any previous year's distribution not be met. This catch-up will be cumulative so that in any years where the distribution is less than 3.5p the shortfall must be made up prior to awarding any further incentive fees. Any performance incentive fee payable in any period of 12 months has been capped so that in any 12 month period, the fee payable under the incentive arrangements (together with any other fees payable to the Manager by the Company which have not been approved by Shareholders) is capped at 24.9% of the lesser of the Company's current Net Assets, market capitalisation or gross assets. Any such fees which result in this cap being exceeded will be waived, will not be carried over to another period and will cease to be payable to the Manager. These fees are calculated in respect of each year ended 31 December following approval of the audited accounts by Shareholders.

Further, under the Investment Management Agreement, the annual running costs of the Company (including VAT) are capped at 3.5% of its net asset value (as defined in the agreement) with any excess being refunded by way of a reduction in the fees payable to the Manager and to the Administration Manager pro rata. The Manager is also entitled to certain non-executive directors' fees, arrangement fees and expenses in respect of any investee company.

- 5.2 Under an agreement dated 30 January 1998 originally between the Company and Downing Management Services Limited and novated by a deed of novation dated 25 August 2011 such that since 1 June 2011 the parties thereto are the Company and Downing LLP (the "Administration Agreement"), Downing will provide or procure the provision of certain administration services to the Company for a capped fee of £50,000 (plus VAT).

- 5.3 An offer agreement dated 12 December 2016 between the Company (1), the Directors (2) the Promoter (3) and the Sponsor (4) whereby the Promoter has agreed to act as promoter in connection with the Offer and the Sponsor has agreed to act as sponsor. The agreement contains warranties given by the Company and the Directors to the Promoter and the Sponsor and an unlimited indemnity to the Sponsor. The Company will pay to the Promoter a promoter's fee of up to 5.5% of funds raised under the Offer, depending on the category of subscriber, and is also responsible for paying initial and trail commission in respect of the Offer where applicable.
- 5.4 Michael Jackson is a director of and shareholder in the Manager which is entitled to performance incentive fees and investment management fees from the Company, as well as Promoter's Fees in relation to the Offer.
- 5.5 Nicholas Lewis is a member of Downing LLP, which provides administration services to the Company in relation to the agreement described in paragraph 5.2 above.
- 5.6 On 10 December 2015, as a result of the VCT rule changes implemented in November 2015, the Company entered into an agreement with the Manager whereby the Manager agreed to purchase the two loans that the Company had granted to Snacktime Plc, which were in the aggregate principle amount of £450,000, for an initial payment of £50,000 and deferred consideration equal to 75% of any ultimate realisation on redemption or conversion of those loans. The Manager is also entitled to Promoter's Fees in relation to its services to the Company in its role as promoter of the Offer (as referred to in the section "Capital Raising Fees" on page 39 of this document). For the purposes of these agreements (in relation to the purchase of those loans and the payment of Promoter's Fees), the Manager was a related party of the Company under the Listing Rules and, as such, each of those transactions was a smaller related party transaction in accordance with Listing Rule LR 11.1.10R.
- 5.7 The Directors are not aware of any potential conflicts of interests between their duties to the Company and their private interests or other duties. There are no family relationships between the Directors at the date of this document.
- 5.8 There are no interests which are material to the Offer.
- 5.9 The typical investor for whom investment in the Company is designed is an individual retail investor aged 18 or over who is a UK tax payer.
- 6 The Company and its Shareholders are subject to the provisions of The City Code on Takeovers and Mergers and the Act, which require shares to be acquired/transferred in certain circumstances.

## 6. Historical Financial Information

Audited statutory accounts for the Company for each of the three years ended 31 December 2013, 31 December 2014 and 31 December 2015 on which unqualified audit reports (not containing a statement under section 237(2) or (3) of the Companies Act 2006) have been given by the auditors BDO LLP to the Registrar of Companies.

Copies of the audited annual accounts and the unaudited half year accounts referred to above are available at the following websites: [www.elderstreet.com](http://www.elderstreet.com) and [www.downing.co.uk](http://www.downing.co.uk) and from the registered office of the Company and the Manager.

These financial statements also contain a description of the Company's financial condition, changes in financial condition and results of operations for each financial period.

	<b>Report and Accounts (Audited) for Year Ended 31 December 2013</b>	<b>Report and Accounts (Audited) for Year Ended 31 December 2014</b>	<b>Report and Accounts (Audited) for Year Ended 31 December 2015</b>	<b>Report and Accounts (Unaudited) for Six Months Ended 30 June 2016</b>
Income Statement	page 31	page 32	page 32	page 6
Dividends per share	page 2	page 2	page 2	page 0
Balance sheet	page 32	page 33	page 34	page 5

Cash flow statement	page 33	page 34	page 35	page 8
Notes to financial statements	page 34	page 35	page 37	page 9
Accounting policies	page 34	page 35	page 37	page 9
Independent auditors' report	page 28	page 28	page 28	N/A

### Operating and Financial Review

A description of the changes in the performance of the Company, both capital and revenue, and changes to the Company's portfolio of investments is set out in the sections headed "Chairman's Statement", "Investment Adviser's Report" and "Investment Portfolio" in the published audited statutory accounts of the Company for the periods stated

	<b>Report and Accounts (Audited) for Year Ended 31 December 2013</b>	<b>Report and Accounts (Audited) for Year Ended 31 December 2014</b>	<b>Report and Accounts (Audited) for Year Ended 31 December 2015</b>	<b>Report and Accounts (Unaudited) for Six Months Ended 30 June 2016</b>
Chairman's Statement	page 4	page 4	page 4	page 1
Manager's Report	page 6	page 6	page 6	N/A
Investment Portfolio	page 8	page 8	page 8	page 3

### Significant Change

Since 30 June 2016, being the date of the last published financial information of the Company (unaudited half yearly report), there have been no significant changes in the financial or trading position of the Company.

### Incorporation by Reference

The audited statutory accounts for the Company, for the years ended 31 December 2013, 31 December 2014 and 31 December 2015 and unaudited interims for the six months ended 30 June 2016, are being incorporated by reference in this Prospectus and are available at the registered office of the Company and the Manager set out on page 57. Where these documents make reference to other documents, such other documents are not incorporated into and do not form part of this Prospectus. Those parts of the annual statutory accounts referred to above which are not being incorporated into this Prospectus by reference are either not relevant for investors or are covered elsewhere in this Prospectus.

## 7. Working capital and capitalisation and indebtedness

- 7.1 The Company is of the opinion that its working capital is sufficient for its present requirements, that is for at least the twelve month period from the date of this document.
- 7.2 The table below shows the capitalisation of the Company as at 30 June 2016, the most recent date to which unaudited financial information of the Company has been published.

	<b>£'000</b>
<b>Total current debt</b>	
Guaranteed	-
Secured	-
Unguaranteed/secured	-
<b>Total non-current debt</b>	



Guaranteed	-
Secured	-
Unguaranteed/secured	-
<b>Shareholders' equity</b>	
Share capital	1,855
Other reserves	23,726
<b>TOTAL</b>	<b>25,581</b>

7.3 There has been no material change in the capitalisation of the Company, total debt or shareholder equity since 30 June 2016.

7.4 The following table shows the Company's net indebtedness as at 25 November 2016, within 90 days of the date of the Prospectus.

		<b>£'000</b>
A	Cash	2,429
B	Cash equivalent	-
C	Trading securities	-
<b>D</b>	<b>Liquidity (A+B+C)</b>	<b>2,429</b>
<b>E</b>	<b>Current financial receivables</b>	<b>1,898</b>
F	Current bank debt	-
G	Current position of non-current debt	-
H	Other current financial debt	-
<b>I</b>	<b>Current financial debt (F+G+H)</b>	<b>-</b>
<b>J</b>	<b>Net current financial indebtedness (I-E-D)</b>	<b>-</b>
K	Non-current bank loans	-
L	Bonds issued	-
M	Other non-current loans	-
<b>N</b>	<b>Non-current financial indebtedness (K+L+M)</b>	<b>-</b>
<b>O</b>	<b>Net financial indebtedness (J+N)</b>	<b>-</b>

7.5 The Company does not have any contingent or indirect indebtedness.

## 8. Documents on display

Copies of this document are available (and any supplementary prospectus published by the Company will be available) for download at [www.elderstreet.com](http://www.elderstreet.com), and may be obtained free of charge at the Company's registered office, where they are also on display, at Ergon House, Horseferry Road, London SW1P 2AL, and at its principal place of business at 10-11 Charterhouse Square, London EC1M 6EH during the period in which the Offer remains open.

Also available at the addresses noted above are copies of the Memorandum and Articles of Association of the Company, the Company's annual report and accounts for the three years ended 31 December 2015 and half yearly reports to 30 June 2015 and 30 June 2016 and copies of the material contracts described at paragraph 5 above.

## 9. Articles of Association

9.1 The Company's principle object is to carry on business as an investment company and a venture capital trust. The Memorandum of Association and Articles of Association are available for inspection at the address specific in paragraph 8 above.

9.2 Set out below is a summary of certain key provisions of the Company's Articles of Association which were adopted on 5 February 2014:

**A. Voting rights**

Every Shareholder present in person at a general meeting shall upon a show of hands have one vote and every Shareholder present in person or by proxy shall upon a poll have one vote for every share held by him.

The share capital of the Company is divided into Ordinary Shares and Sustainable Technology Shares, each with a nominal value of 5p per share.

**B. Dividends**

The Company in general meeting may declare a dividend to be paid to the Shareholders according to their respective rights and interests in the profits, but no larger dividend shall be declared than is recommended by the Directors.

The Ordinary Shareholders shall be entitled to receive, in that capacity, any dividends paid out of the profits available for distribution derived from the assets attributable to the Ordinary Shares.

The Sustainable Technology Shareholders shall be entitled to receive, in that capacity any dividends paid out of the profits available for distribution derived from the assets attributable to the Sustainable Technology Shares.

**C. Distribution of assets on liquidation**

On a winding up the capital and assets of the Company shall be applied as follows: (a) the Ordinary Share Surplus, being the net assets of the Company less those attributable to the Sustainable Technology Shares and a proportion of the fees and expenses of the liquidator, shall be divided amongst the holders of the Ordinary Shares pro rata according to their holding of Ordinary Shares and (b) the Sustainable Technology Share Surplus, being the net assets of the Company less those attributable to the Ordinary Shares and a proportion of the fees and expenses of the liquidator, shall be divided amongst the holders of Sustainable Technology Shares pro rata according to their holding of Sustainable Technology Shares.

**D. Transfer of Shares**

Shares may be transferred by means of the CREST system.

The Directors may, in their absolute discretion and without assigning any further reason therefore, refuse to register any share transfer unless

- it is in respect of a fully paid share;
- it is in respect of a share on which the Company does not have a lien;
- it is in respect of only one class of shares;
- it is in favour of not more than four joint holders as transferees; and
- the conditions referred to in the next succeeding Article have been satisfied in respect thereof.

If the Directors refuse to register a transfer they shall within two months after the date on which the transfer was lodged with the Company send to the transferee notice of the refusal and return to him the instrument of transfer. The registration of transfers may be suspended at such times and for such period as the Directors may from time to time determine and either generally or in respect of any class of shares provided that the register shall not be closed for more than thirty days in any year.

**E. Variation of rights**

If at any time the capital is divided into different classes of shares all or any of the rights or privileges attached to any class may be varied or abrogated (a) in such manner (if any) as may be provided by such rights, or (b) in the absence of any such provision either with the consent in writing of the holders of at least three-fourths of the nominal amount of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the issued shares of that class, but not otherwise.

The creation or issue of shares ranking pari passu with or subsequent to the shares of any class shall not (unless otherwise expressly provided by these Articles or the rights attached to such last mentioned shares as a class) be deemed to be a variation of the rights of such shares.

**F. Increase or reduction of capital**

The Company may, from time to time, by Ordinary Resolution, increase the capital of the Company by the creation of new shares, such increase to be of such aggregate amount and to be divided into shares of such respective amounts as the resolution may prescribe.

The Company may from time to time by Special Resolution reduce its share capital, any capital redemption reserve fund and any share premium account in any manner authorised by law. The Company may also by Ordinary Resolution cancel any shares not taken or agreed to be taken by any person and diminish the amount of its share capital by the nominal value of the shares so cancelled.

#### **G. Directors**

Unless and until otherwise determined by the Company in General Meeting the number of Directors shall not be less than two nor more than ten. The continuing Directors may act notwithstanding any vacancy in their body, provided that if the number of the Directors be less than the prescribed minimum the remaining Director or Directors shall forthwith appoint an additional Director or Directors to make up such minimum or shall convene a general meeting of the Company for the purpose of making such appointment. If there is no Director or are no Directors able or willing to act then any two holders may summon a general meeting for the purpose of appointing Directors.

At the next Annual General Meeting following a Director's first appointment such Director shall retire from office and may stand for re-election.

The Directors shall be paid out of the funds of the Company by way of fees for their services an aggregate sum not exceeding £1,000,000 per annum. The Directors shall be entitled to be repaid all reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties.

#### **H. Meetings of Directors**

The Directors may meet together in person or for the dispatch of business, adjourn and otherwise regulate their meetings as they think fit, and determine the quorum necessary for the transaction of business. Until otherwise determined two Directors shall constitute a quorum. Questions arising at any meeting shall be determined by a majority of votes. In case of any equality of votes the Chairman shall have a second or casting vote.

#### **I. Directors' Interests**

The Board may, provided the quorum and voting requirements are satisfied, authorise any matter that would otherwise involve a Director breaching his duty under the Companies Act 2006 to avoid conflicts of interest. Where the Board gives authority in relation to such a conflict, it may impose terms upon the Director concerned including, without limitation, the exclusion of that Director from the receipt of information, or participation in discussion (whether at meetings of the Board or otherwise) related to the conflict and the Director concerned and any other Director with a similar interest will be obliged to conduct himself in accordance with any terms imposed by the Board from time to time.

#### **J. General Meetings**

Annual general meetings shall be held at such time and place as may be determined by the Directors and within a period of six months beginning on the day following the Company's accounting reference date.

An annual general meeting and a general meeting called for the passing of a special resolution and/or ordinary resolution shall be called by not less than twenty-one days' notice in writing, and all other general meetings of the Company shall be called by not less than fourteen days' notice in writing unless it is proposed to pass a resolution of which special notice is required by law, in which case 28 days' notice is required.

The quorum for a general meeting shall not be less than two Shareholders present in person or by proxy. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened by or upon the requisition of Shareholders, shall be dissolved. In any other case it shall stand adjourned to such time (being not less than fourteen days and not more than twenty eight days hence) and at such place as the Chairman shall appoint. At any such adjourned meeting the Shareholder or Shareholders present in person or by proxy and entitled to vote shall have power to decide upon all matters which could properly have been disposed of at the meeting from which the adjournment took place.

#### **K. Borrowing Powers**

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking property and uncalled capital, or any part thereof and to issue debentures and other securities. The Directors shall restrict the borrowings of the Company so that the aggregate amount at any one time owing by the Company shall not at any time without the previous sanction of the Company in general meeting exceed the greater of the sum of ten per cent of the aggregate of the paid up share capital of the Company and the amount standing to the credit of the consolidated reserves of the Company and its subsidiaries whether distributable or undistributable and including (without limitation) share premium account, capital redemption reserve and profit and loss account.

## DIRECTORS AND ADVISERS

<b>Directors</b>	David Brock (Non-executive Chairman) Hugh Aldous (Non-executive Director) Barry Dean (Non-executive Director) Michael Jackson (Non-executive Director) Nicholas Lewis (Non-executive Director) All of Ergon House, Horseferry Road London SW1P 2AL
<b>Secretary</b>	Grant Whitehouse
<b>Investment Manager</b>	Elderstreet Investments Limited 10-11 Charterhouse Square London EC1M 6EH
<b>Fixed Income Securities Manager</b>	Smith & Williamson Investment Services Limited 25 Moorgate London EC2R 6AY
<b>Administration Manager</b>	Downing LLP Ergon House Horseferry Road London SW1P 2AL
<b>VCT Status Adviser</b>	Philip Hare & Associates LLP 4-6 Staple Inn High Holborn London WC1V 7QH
<b>Solicitors to the Company and the Offer</b>	RW Blears LLP 29 Lincoln's Inn Fields London WC2A 3EE
<b>Sponsor</b>	Panmure Gordon (UK) Limited One New Change London EC4M 9AF
<b>Registrars</b>	Capita Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
<b>Receiving Agent</b>	The City Partnership (UK) Ltd 110 George Street Edinburgh EH2 4LH
<b>Auditor</b>	BDO LLP 55 Baker Street London W1U 7EU

## DEFINITIONS

In this document the following words and expressions shall, unless the context requires otherwise, have the following meanings:

<b>“Act”</b>	the Companies Act 2006 (as amended)
<b>“Administration Manager”</b>	the administration manager of the Company, Downing LLP
<b>“Admission”</b>	admission of the New Ordinary Shares to the Official List of the UK Listing Authority and to trading on the London Stock Exchange’s main market for listed securities
<b>“Adviser Charge”</b>	a fee, payable to a financial intermediary, agreed with the Investor for the provision of a personal recommendation and/or related services in relation to an investment in New Ordinary Shares, and detailed on the Application Form
<b>“AIM”</b>	AIM, a market operated by the London Stock Exchange, formerly known as the <b>Alternative Investment Market</b>
<b>“Applicant”</b>	an investor whose name appears in an Application Form
<b>“Application”</b>	an application for New Ordinary Shares under the Offer
<b>“Application Amount”</b>	amount (in pounds sterling) due from an Applicant in respect of his Application or such part (if any) of his Application as is accepted
<b>“Application Form(s)”</b>	a validly completed application form in the form contained at the end of this document
<b>“Articles”</b>	the articles of association of the Company from time to time
<b>“Business Days”</b>	any day (other than a Saturday or Sunday) on which clearing banks are open for normal banking business in sterling
<b>“Capita Registrars”</b>	a trading name of Capita IRG Plc
<b>“Company”</b>	Elderstreet VCT plc
<b>“Commission”</b>	commission paid to the financial intermediaries of Professional Client Investors and Execution Only Investors
<b>“CREST”</b>	the computerised settlement system to facilitate the transfer of title to shares in uncertificated form operated by Euroclear UK & Ireland Limited  funds managed by the Investment Manager
<b>“Direct Investor”</b>	an Investor who applies under the Offer directly without any financial intermediary (whether advisory or non-advisory)
<b>“Directors” or “Board”</b>	directors of the Company as at the date of this document, whose names are set out on page 57 of this document
<b>“Early Investment Incentives”</b>	the additional New Ordinary Shares offered to Applicants who subscribe for New Ordinary Shares within the relevant periods referred to in the section “Offer Statistics” of this document, such additional New Ordinary Shares being issued in the manner described on page 37 of this document
<b>“Elderstreet Funds”</b>	funds managed by the Investment Manager

<b>“Estimated Offer Price”</b>	the amount of 70.3 pence per New Ordinary Share, calculated on the basis of the assumptions referred to on page 12 of this document
<b>“Execution Only Investors”</b>	Investors who invest in the Offer via an “execution only” broker who does not provide the Investor with advice as to the merits of the investment
<b>“Existing Shareholder”</b>	a Shareholder who holds shares in the Company subscribed for prior to the launch of the Offer
<b>“FCA”</b>	Financial Conduct Authority
<b>“FSMA”</b>	the Financial Services and Markets Act 2000 (as amended)
<b>“Gross Proceeds”</b>	the amount of monies subscribed by an Applicant for New Ordinary Shares under the Offer (disregarding any Adviser Charges or Commission)
<b>“HMRC”</b>	Her Majesty’s Revenue & Customs
<b>“Investment Management Agreement” or “IMA”</b>	the investment management agreement entered into between the Company and the Manager on 30 January 1998 (which was subsequently novated to Elderstreet Private Equity Limited, and then back to the Manager on 1 June 2009), as varied
<b>“Investment Management Team”</b>	those people whose details are set out on page 33 of this document
<b>“Investment Manager” or the “Manager”</b>	Elderstreet Investments Limited, a subsidiary of Elderstreet Holdings Limited
<b>“Investor”</b>	an individual investor, who is aged 18 or over, investing no more than £200,000 in VCTs in any one tax year
<b>“ISDX”</b>	the ISDX Growth Market, being a market on the ICAP Securities and Derivatives Exchange (which are the successor markets to the PLUS markets)
<b>“ITA”</b>	Income Tax Act 2007 (as amended)
<b>“Listed”</b>	admitted to the Official List of the UK Listing Authority and to trading on London Stock Exchange’s main market for listed securities
<b>“Listing Rules”</b>	the listing rules issued by the FCA
<b>“London Stock Exchange”</b>	London Stock Exchange plc
<b>“Maximum Subscription”</b>	14.2 million New Ordinary Shares
<b>“Net Asset Value” or “NAV”</b>	net asset value per Ordinary Share
<b>“Net Assets”</b>	gross assets less all liabilities (excluding contingent liabilities) of the Company
<b>“New Ordinary Shares”</b>	the Ordinary Shares available for subscription pursuant to the Offer
<b>“Offer”</b>	the offer for subscription for New Ordinary Shares contained in this prospectus
<b>“Offer Price”</b>	the price paid (sterling) by Applicants for each New Ordinary Share issued under the Offer calculated according to the Pricing Formula on page 38 as applied by the Board
<b>“Offer Document”</b>	the agreement for subscription of New Ordinary Shares pursuant to the terms of this document

<b>“New Ordinary Shares”</b>	the New Ordinary Shares
<b>“Offer” or “Offer for Subscription”</b>	the offer for subscription of New Ordinary Shares pursuant to the terms of this document
<b>“Official List”</b>	official list of the UK Listing Authority
<b>“Ordinary Shares”</b>	ordinary shares of 5p (sterling) each in the capital of the Company with ISIN GB0002867140
<b>“Pricing Formula”</b>	the mechanism by which the Offer Price may be adjusted by the Board according to the latest announced NAV, the level of the Promoter’s Fee, Commission or Adviser Charges (as relevant) to intermediaries, as described on page 38 of this document and in the Terms and Conditions of Application
<b>“Professional Client”</b>	an individual who is classified by their financial intermediary as a professional client for the purposes of the FCA’s Conduct of Business rules
<b>“Promoter’s Fee”</b>	the commission payable by the Company to the Manager (as promoter of the Offer) in relation to each Application, calculated as a percentage of each Applicant’s gross subscription in the Offer in the amounts set out on page 37
<b>“Prospectus”</b>	this document
<b>“Qualifying Company”</b>	an unquoted (including ISDX-traded and AIM-traded) company which satisfies the requirements of Part 4 of Chapter 6 of ITA
<b>“Qualifying Investment”</b>	shares in, or securities of, a Qualifying Company held by a VCT which meet the requirements of Part 4 of Chapter 6 of ITA
<b>“Qualifying Investor”</b>	an individual who subscribes for or acquires shares in a VCT and satisfies the conditions of eligibility for tax relief available to investors in a VCT
<b>“Receiving Agent”</b>	The City Partnership (UK) Ltd
<b>“Retail Client”</b>	an individual who is classified by their financial intermediary as a retail client for the purposes of the FCA’s Conduct of Business rules
<b>“Shareholders”</b>	holders of Shares
<b>“Shares”</b>	Ordinary Shares
<b>“Sponsor”</b>	Panmure Gordon (UK) Limited
<b>“Terms and Conditions of Application”</b>	terms and conditions of Application as set out at the end of this document
<b>“UK Listing Authority”</b>	the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
<b>“US Person”</b>	as defined in the United States Securities Act of 1933 (as amended)
<b>“Venture Capital Trust” or “VCT”</b>	a venture capital trust as defined in Section 259 of ITA



## TERMS & CONDITIONS OF APPLICATION

1. The right is reserved to reject any Application in whole or in part or to accept any Application in whole or in part. If any Application is not accepted, or if any contract created by acceptance does not become unconditional, or if any Application is accepted for a lesser amount than was applied for, the application monies or the balance of the amount paid on Application will be returned without interest by post at the risk of the Applicant.
2. By completing and delivering an Application Form, you:
  - (a) irrevocably offer to subscribe the amount of money specified in your Application Form or such lesser amount as is accepted (in each case such amount being referred to as the "Application Amount") which shall be applied to purchase New Ordinary Shares on the basis of the Pricing Formula set out on page 38 of the Prospectus and subject to the provisions of the Prospectus, these Terms and Conditions and the Articles. Applicants for New Ordinary Shares for whom Application Forms are received and accepted by the Company prior to 4.00p.m. on 31 January 2017 will be charged a reduced Promoter's Fee of 1.0% and those whose Application Forms are received and accepted by the Company prior to 4.00p.m. on 28 February 2017 will be charged a reduced Promoter's Fee of 1.5% and will, therefore, receive additional New Ordinary Shares to their usual entitlement through the operation of the Pricing Formula.
  - (b) accept that the Net Asset Value used will be the most recently announced net asset value per Ordinary Share, updated at the discretion of the Board should there be a material movement in Net Asset Value, and adjusted where necessary for the subsequent payment of dividends, expressed in pence (sterling) prior to the date of allotment of the relevant New Ordinary Shares (and will ordinarily be unaudited);
  - (c) authorise your financial adviser, or whoever he or she may direct, Capita Registrars or the Company to send a document of title for the number of New Ordinary Shares for which your Application is accepted, and/or a crossed cheque for any monies returnable, by post at your risk to your address as set out on your Application Form;
  - (d) agree that in consideration of the Company agreeing that it will not, prior to the closing date of the Offer, offer any New Ordinary Shares to any persons other than by means of the procedures set out or referred to in this Prospectus, agree that your Application may not be revoked prior to the Offer closing and that this paragraph constitutes a collateral contract which will become binding upon despatch by post or delivery of your Application Form duly completed to the Company or to your financial adviser;
  - (e) warrant that your remittance will be honoured on first presentation and agree that, if such remittance is not so honoured, you will not be entitled to receive a share certificate for the New Ordinary Shares applied for or to enjoy or receive any rights or distributions in respect of such New Ordinary Shares unless and until you make payment in cleared funds for such New Ordinary Shares and such payment is accepted by the Company (which acceptance shall be in its absolute discretion and may be on the basis that you indemnify it against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and that at any time prior to unconditional acceptance by the Company of such late payment in respect of such New Ordinary Shares, the Company may (without prejudice to its other rights) treat the agreement to allot such New Ordinary Shares as void and may allot such New Ordinary Shares to some other person, in which case you will not be entitled to any refund or payment in respect of such New Ordinary Shares (other than return of such late payment);
  - (f) agree that all cheques and bankers' drafts may be presented for payment on the due dates and any definitive document of title and any monies returnable to you may be retained pending clearance of your remittance and the completion of any verification of identity required by the Money Laundering Regulations 2007 ("the Regulations") and that such monies will not bear interest;
  - (g) undertake to provide satisfactory evidence of identity within such reasonable time (in each case to be determined in the absolute discretion of the Company and the Manager) to ensure compliance with the Regulations;
  - (h) agree that, in respect of those New Ordinary Shares for which your Application has been received and processed and not rejected, acceptance of your Application shall be constituted by the Company instructing Capita Registrars to enter your name on the share register of the Company;

- (i) agree that all documents in connection with the Offer and any returned monies will be sent at your risk and may be sent to you at your address as set out in the Application Form;
- (j) agree that, having had the opportunity to read this document, you are deemed to have had notice of all information and representations contained therein;
- (k) confirm that (save for advice received from your financial adviser) in making such application you are not relying on any information or representation other than those contained in this document and you accordingly agree that no person responsible solely or jointly for this document will have any liability for any such other information or representation;
- (l) agree that all Applications, acceptances of Applications and contracts resulting there from under the Offer shall be governed by and construed in accordance with English Law and that you submit to the jurisdiction of the English Courts and agree that nothing shall limit the right of the Company to bring any action, suit or proceedings arising out of or in connection with any such Applications, acceptance and contracts in any other manner permitted by law or in any court of competent jurisdiction;
- (m) authorise the Company, Capita Registrars or the Manager or any other person authorised by them, as your agent, to do all things necessary to effect registration of any New Ordinary Shares subscribed by you into your name and authorise any representatives of the Company, Capita Registrars or the Manager to execute any document required therefor and to enter your name on the register of members of the Company;
- (n) agree to provide the Company, Capita Registrars, The City Partnership (UK) Ltd or the Manager with any information which they may request in connection with your Application or to comply with the VCT regulations or other relevant legislation (as the same may be amended from time to time);
- (o) warrant that, in connection with your Application, you have observed the laws of all requisite territories, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your Application in any territory and that you have not taken any action which will or may result in the Company or the Manager acting in breach of the regulatory or legal requirements of any territory in connection with the Offer or your Application;
- (p) confirm that you have read and complied with paragraph 3 below;
- (q) confirm that you have reviewed the restrictions contained in paragraph 4 below;
- (r) warrant that you are not under the age of 18 years;
- (s) if the laws of any territory or jurisdiction outside the United Kingdom are applicable to your Application, warrant that you have complied with all such laws and none of the Company or the Manager or any of their respective agents will infringe any laws of any such territory or jurisdiction directly or indirectly as a result or in consequence of any acceptance of your Application;
- (t) agree that your Application Form is addressed to the Company;
- (u) warrant that if you sign the Application Form on behalf of somebody else or yourself and another or others jointly or a corporation you have the requisite power to make such investments as well as the authority to do so and such person will also be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions of application and undertake (save in the case of signature by an authorised financial adviser on behalf of the Investor) to enclose a power of attorney or a copy thereof duly certified by a solicitor with the Application Form;
- (v) warrant that you are not subscribing for the New Ordinary Shares using a loan which would not have been given to you, or not given to you on such favourable terms, if you had not been proposing to subscribe for the New Ordinary Shares;
- (w) warrant that the New Ordinary Shares are allotted to you for bona fide investment purposes and not as part of a scheme or arrangement, the main purpose of which, or one of the main purposes of which, is the avoidance of tax;
- (x) warrant that you are not a US Person or resident of Canada and that you are not applying on behalf of or with a view to the offer, sale or delivery, directly or indirectly, to or for the benefit of any US Person or resident of Canada; and
- (y) (y) warrant that the information contained in the Application Form is accurate.

3. No person receiving a copy of this document or an Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him or her, nor should he or she in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or her or such Application Form could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person outside the United Kingdom wishing to make an application thereunder to satisfy himself or herself as to the full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any of the formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
4. The New Ordinary Shares have not been and will not be registered under the United States Securities Act 1933, as amended, or under the securities laws of any state or other political subdivision of the United States, and may not be offered or sold in the United States of America, its territories or possessions or other areas subject to its jurisdiction (the "USA"). In addition, the Company has not been and will not be registered under the United States Investment Company Act of 1940, as amended. No Application will be accepted if it bears an address in the USA.
5. This Application is addressed to the Company. The rights and remedies of the Company and the Manager under these Terms and Conditions of Application are in addition to any rights and remedies which would otherwise be available to either of them, and the exercise or partial exercise of one will not prevent the exercise of others.
6. The dates and times referred to in these Terms and Conditions of Application may be altered by the Company. In particular, the Directors may close the Offer early at their sole discretion.
7. Authorised financial intermediaries who have given you a personal recommendation in respect of your application having first categorised you as a Professional Client, or who acting on behalf of their clients return valid Application Forms in respect of execution-only transactions (in each case bearing their stamp and FCA number) will be entitled to commission on the amount payable in respect of the New Ordinary Shares allocated for each such Application Form at the rates specified in the paragraph "Terms of the Offer" in Part 4 (Information relating to the Offer) of this document. Authorised financial advisers may agree to waive part or all of their initial commission in respect of an Application. If this is the case, then the Application Amount will be increased by an amount equivalent to the amount of commission waived. Financial intermediaries should keep a record of Application Forms submitted bearing their stamp to substantiate any claim for their commission. No commission is payable on reinvested commission or on any additional allocation received under the Early Investment Incentive arrangements described above. In addition, provided they continue to act for their client and the client continues to hold such New Ordinary Shares, such intermediaries will usually be paid an annual trail commission of 0.25% of the gross subscription (excluding any Adviser Charge) for a maximum of five years. Annual trail commissions will be paid in October (commencing in October 2017) by the Company.
8. In respect of Applications received on behalf of Professional Clients Applicants or pursuant to execution-only transactions, commission (but not annual trail commission) will be taken into account when calculating, and will reduce, the number of New Ordinary Shares which are to be issued on the basis of the Pricing Formula set out on page 38 of the Prospectus.
9. Where Application Forms are returned on your behalf by an authorised financial intermediary who has given you a personal recommendation in respect of your application having first categorised you as a Retail Client, the Company will facilitate the payment of any up-front Adviser Charge agreed between you and your intermediary, as validated by your completion of Box 3 on the Application Form. The amount of the agreed Adviser Charge will be facilitated by the Company making a payment equal to the agreed up-front Adviser Charge direct to the intermediary which will be taken into account when calculating, and will reduce, the number of New Ordinary Shares which are issued to you on the basis of the relevant Pricing Formula set out on page 38 of the Prospectus. The Applicant will be issued fewer New Ordinary Shares to the equivalent value of the Adviser Charge. The Adviser Charge is inclusive of VAT, where applicable.
10. If you have agreed to pay on-going charges to an intermediary who has categorised you as a Retail Client in respect of services related to your investment, for example, for conducting associated administrative tasks or managing your relationship with the Company, then the Company will not facilitate the payment of any such on-going adviser charge.
11. The section headed Application Procedure below forms part of these Terms and Conditions of Application.

12. It is a condition of the Offer that compliance with the Money Laundering Regulations 2007 is ensured. The City Partnership (UK) Ltd is therefore entitled to require, at its absolute discretion, verification of identity from any Applicant including, without limitation, any person who either (i) tenders payment by way of a cheque or banker's draft drawn on an account in the name of a person or persons other than the Applicant or (ii) appears to The City Partnership (UK) Ltd to be acting on behalf of some other person. Pending the provision of evidence satisfactory to The City Partnership (UK) Ltd as to the identity of the Applicant and/or any person on whose behalf the Applicant appears to be acting, The City Partnership (UK) Ltd may, in its absolute discretion, retain an Application Form lodged by an Applicant and/or the cheque or other remittance relating thereto and/or The City Partnership (UK) Ltd may not enter the Applicant on the register of members of the Company or issue any share certificates in respect of such Application. If verification of identity is required, this may result in delay in dealing with an Application and in rejection of the Application. The Company reserves the right, in its absolute discretion, for it or The City Partnership (UK) Ltd to reject any Application in respect of which The City Partnership (UK) Ltd considers that, having requested verification of identity, it has not received evidence of such identity satisfactory to it by such time as was specified in the request for verification of identity or in any event within a reasonable period. In the event of an Application being rejected in any such circumstances, the Company reserves the right in its absolute discretion, but shall have no obligation, to terminate any contract of allotment relating to or constituted by such Application Form (in which event the money payable or paid in respect of the Application will be returned (without interest) to the account of the drawee bank from which such sums were originally debited) and/or to endeavour to procure other subscribers for the Shares in question (but in each case without prejudice to any rights the Company may have to take proceedings to recover in respect of loss or damage suffered or incurred by it as a result of the failure to produce satisfactory evidence as aforesaid). The submission of an Application Form will constitute an undertaking by the Applicant to provide promptly to The City Partnership (UK) Ltd such information as may be specified by it as being required for the purpose of the Money Laundering Regulations 2007.
13. The right is also reserved to treat as valid any application not complying fully with these Terms and Conditions of Application for the Offer or not in all respects complying with the Application Procedure. In particular, but without limitation, the Company may accept Applications made otherwise than by completion of an Application Form where the Applicant has agreed in some other manner acceptable to the Company to apply in accordance with these Terms and Conditions of Application.

## APPLICATION PROCEDURE

**Before making an application to acquire New Ordinary Shares you are strongly recommended to consult an independent financial adviser authorised under the Financial Services and Markets Act 2000.**

It is important that you complete all parts of the relevant Application Form in accordance with the instructions in these notes. Please send the completed Application Form, together with your cheque or bankers' draft, by post, or deliver it by hand (during normal business hours), to The City Partnership (UK) Ltd, 110 George Street, Edinburgh EH2 4LH. If you have any questions on how to complete the Application Form please contact Elderstreet Investments Limited on 020 7831 5088, email [william@elderstreet.com](mailto:william@elderstreet.com) or speak to your financial adviser. Elderstreet cannot offer any investment, tax or legal advice.

1. Insert in BLOCK CAPITALS your full name, permanent address, daytime telephone number, e-mail address (if you have one), date of birth and National Insurance Number and country of tax residence in Box 1. Applicants must be aged 18 or over and joint applications are not permitted.
2. Insert (in figures) in the relevant tax year the total monetary amount you wish to invest in the New Ordinary Shares (not the number of New Ordinary Shares you wish to apply for) in Box 2.

**Please note that the minimum investment is £6,000 for New Ordinary Shares**

Investors should note that the maximum investment on which tax reliefs on investments in VCTs are available is £200,000 per tax year (£200,000 per spouse).

Attach your cheque or bankers draft to the Application Form for the exact amount shown in Box 2. Your cheque or bankers' draft must be made payable to "City Partnership - Elderstreet VCT" and crossed "A/C Payee only". Your payment must relate solely to this application. No receipt will be issued.

**Money Laundering Regulations 2007 — Important note for applications of the Sterling equivalent of €15,000 (approx. £12,500) or more where no certificate is provided by your financial intermediary**

The verification of identity requirements in the Money Laundering Regulations 2007 will apply and verification of the identity of the Applicant may be required. Failure to provide the necessary evidence of identity may result in your Application being treated as invalid or result in a delay.

If the amount of your Application is £12,500 or more (or is one of a series of linked applications, the value of which exceeds that amount) payment must be made by cheque or bankers' draft in pounds sterling drawn on a branch in the United Kingdom of a bank or building society which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques or bankers' drafts to be cleared through the facilities provided for members of any of these companies. Such cheques or bankers' drafts must bear the appropriate sort code in the top right hand corner. Cheques, which must be drawn on the personal account of the individual investor where they have a sole or joint title to the funds, should be made payable to "City Partnership - Elderstreet VCT".

Third party cheques will not be accepted with the exception of building society cheques or bankers' drafts where the building society or bank has confirmed the name of the account holder by endorsing the cheque/bankers' draft to such effect. The account name should be the same as that shown on the application.

Cheques may be cashed immediately upon receipt. Post-dated cheques will not be accepted.

If the amount of your Application is £12,500 or more, (or is one of a series of linked applications, the value of which exceeds that amount), and if payment is not made by personal cheque, you must also ensure that enclosed with the Application Form is one document from list A below and one document from list B below. Original documents will be returned by post at your risk. Please do not send your original passport or driving licence. Alternatively, verification of the Applicant's identity may be provided by means of a "Letter of Introduction" in the prescribed form from a UK or European Economic Area financial institution (such as a bank or stockbroker) or other regulated person (such as a solicitor, accountant or independent financial adviser) who is required to comply with the Money Laundering Regulations 2007. The relevant financial institution or regulated person will be familiar with the requirements and the relevant form.

For Applications of the Sterling equivalent of €15,000 (approx. £12,500) or more and subscription by way of a cheque drawn by a third party (one item from List A and one item from List B).

**List A (Verification of Identity)**

- Certified\* copy of current signed passport
- Certified\* copy of current full UK Driving Licence (a provisional licence is not acceptable)
- Original Inland Revenue Tax Notification
- Original Firearms Certificate

**List B (Verification of Address)**

- Original recent\*\* utility bill (but not a mobile telephone bill)
- Original recent\*\* local authority tax bill
- Original recent\*\* bank or building society statement
- Original most recent mortgage statement from a recognised lender

\* Certified as a true copy of the original by a UK lawyer, banker, authorised financial intermediary (e.g. an independent financial adviser or an FCA authorised mortgage broker), accountant, teacher, doctor, minister of religion, postmaster or sub-postmaster. The person certifying the document should state that the copy is a true copy of the original, print their name, address, telephone number and profession and sign and date the copy.

\*\* Recent means within the last three months.

**Read the declaration and sign and date the Application Form in Box 4. If someone other than the Applicant named in Box 1 signs on such Applicant's behalf, such signatory must ensure that the declaration given on behalf of such Applicant is correct.**

Agents who are entitled to receive commission should stamp and complete the agent's box, giving their full name and address, telephone number and details of their authorisation under the Financial Services and Markets Act 2000. The right is reserved to withhold payment of commission if the Company is not, in its sole discretion, satisfied that the agent is so authorised.

**ELDERSTREET VCT PLC**  
**APPLICATION FORM FOR NEW ORDINARY SHARES**

**IMPORTANT: BEFORE COMPLETING THIS APPLICATION FORM, IT IS VERY IMPORTANT YOU HAVE READ THE PROSPECTUS DATED 12 DECEMBER 2016 (INCLUDING, THE TERMS AND CONDITIONS OF APPLICATION AND APPLICATION PROCEDURE)**

Money Laundering Notice: If your application is for the sterling equivalent of €15,000 (approx. £12,500) or more (or is one of a series of applications the value of which exceeds that amount) you will need to ensure that verification of your identity is included with your Application - see pages 53 and 54 of the Offer Document for details.

**PLEASE TICK ONE OF THE FOLLOWING TWO OPTIONS:**

- A) I shall transfer within two business days of submitting this application, with the reference Elderstreet (and then write your surname in brackets), the total funds noted in Box 2 below to the following account:

<b>Sort Code 80 - 22 - 60</b>	<b>Account Number 15312769</b>
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- B) I enclose a cheque or banker's draft, drawn on a UK clearing bank or building society for the total amount, made payable to "City Partnership – Elderstreet VCT" and crossed "A/C Payee only" and return this form as soon as possible to The City Partnership (UK) Ltd, 110 George Street, Edinburgh EH2 4LH

If subscribing by cheque then sufficient time must be allowed for the cheque to clear. This means in practice the cheque must be in City Partnership's possession no later than 5 Business Days before the relevant closing date.

**1**

Title and Name in Full				
Permanent Address				
Postcode	Daytime Telephone			
E-Mail Address*				
Date of Birth	/	/19	National Insurance No	Country of Tax Residence

\* Receipt of applications will only be acknowledged where an email address is provided

**2** I hereby subscribe for the following amount of investment in New Ordinary Shares, to be allocated between tax years 2016/17 and 2017/18 in the following proportions:

	<b>2016/17</b>		<b>2017/18</b>		<b>Total (A+B)</b>
A	£ <input style="width: 100px;" type="text"/>	B	£ <input style="width: 100px;" type="text"/>	C	£ <input style="width: 100px;" type="text"/>
					Min £6,000

**3 TO BE COMPLETED BY RETAIL CLIENT INVESTORS WHO WISH TO HAVE THEIR AGREED ADVISER FEE FACILITATED THROUGH THEIR SUBSCRIPTION** Amount of agreed adviser fee

BY SIGNING THIS FORM I HEREBY DECLARE THAT: (i) I have received the Prospectus dated 12 December 2016 and have had the opportunity to read the Terms and Conditions of application therein; (ii) I will be the beneficial owner of the New Ordinary Shares in Elderstreet VCT plc issued to me pursuant to the Offer; and (iii) if my authorised financial intermediary has classified me as an elective Professional Client for the purposes of this application, I am aware of the risks involved in such classification and of the rights I am giving up and I wish to be treated as a Professional Client in respect of the Application; and (iv) to the best of my knowledge and belief, the particulars I have given to Elderstreet VCT plc are correct; and (v) I consent to the Company, or a third party acting on the Company's behalf, undertaking an online identity check for the purposes of the Money Laundering Regulations.

**4**

Printed Name	Date
Signed	



## 5 TO BE COMPLETED BY AN INVESTORS INDEPENDENT FINANCIAL ADVISOR

### Anti Money Laundering Declaration

We have applied customer due diligence measures on a risk-sensitive basis in respect of the investor to the standard required by the Money Laundering Regulations 2007 and we certify that we have:

1. identified and verified the identity of the investor on the basis of documents, data and information obtained from a reliable and independent source;
2. identified, where there is a beneficial owner who is not the investor, the beneficial owner and have taken adequate measures, on the basis of documents, data and information obtained from a reliable and independent source, to verify his identity so that we know who the beneficial owner is, including, in the case of a legal person, trust or similar arrangement, measures to understand the ownership and control structure of that person, trust or arrangement and the identity of the beneficial owner and details of the ownership and control structure set out in Box 6 below; and
3. obtained information on the purpose and intended nature of the investor's proposed investment in the Company, as the case may be, which information is set out in Box 6 below; and we consent the Company relying on this Certificate.

### Commission / Adviser Charges

Please tick either (i) or (ii) below: tick one box

(i) The firm named below is a financial intermediary which has agreed the Adviser Charge specified in section 3 above.

(ii) The firm name below is an Execution Only broker which is permitted to receive commission in respect of this Application OR This Application is made on behalf of an Investor who is categorised by the below named firm as a Professional Client.

Name	<b>EQ Investors</b>	Date	
Firm Name		Nature of Business	
Address	<b>Sophie Muller</b>		
	<b>Centennium House 100 Lower Thames Street London EC3R 6DL</b>		
Tel	<b>020 7488 7110</b>	Postcode	<b>FCA Reg 539422</b>
		FCA Registration Number and Co Stamp	
Signature			

If you are electing to waive an amount of commission in favour of extra New Ordinary Shares, please state in this box what percentage is to be waived up to a maximum of 2.5%

## 6 TO BE COMPLETED BY AN INVESTORS INDEPENDENT FINANCIAL ADVISOR WHERE THE BENEFICIAL OWNER IS NOT THE INVESTOR

We certify the beneficial owner is

and (in the case of a legal person, trust or similar arrangement), the ownership and control structure of that person trust or arrangement is

The purpose of the investment is

### For Official Use Only

Date on which New Ordinary Shares are Issued	Share Register Number
Amount paid for New Ordinary Shares issued £	Number of New Ordinary Shares Issued
Amount paid per New Ordinary Share £	Amount of commission waived (where applicable) £

Due completion of the agent's box indicates that the agent is duly authorised to transact investments of this type under the Financial Services and Markets Act 2000 and confirms that the requirements of the Money Laundering Regulations 2007 have been complied with.

DATA PROTECTION ACT: The Company and/or Elderstreet Investments Limited may use the information you give for administration, research and/or statistical purposes. Your details may be used by the Company and/or Elderstreet Investments Limited to send you information on other potential investment opportunities. If you would prefer not to receive such information, please tick this box.





