



ELDERSTREET

VCT plc

Half-Yearly Report
for the six months ended
30 June 2015

SHAREHOLDER INFORMATION

Recent performance summary

	30 Jun 2015 pence	31 Dec 2014 pence	30 Jun 2014 pence
Net asset value per share	67.5	70.8	89.2
Cumulative distributions paid per share	88.5	81.0	64.0
Total return per share	<u>156.0</u>	<u>151.8</u>	<u>153.2</u>

Recent/forthcoming dividends

	Amount per share	Date of payment	Ex-div date	Record date
2014 2 nd interim	2.5p	29 May 2015	29 Apr 2015	1 May 2015
Special	5.0p	30 Jun 2015	3 Jun 2015	5 June 2015
2015 Interim	2.5p	11 Dec 2015	4 Nov 2015	6 Nov 2015

A full dividend history for the Company can be found at www.downing.co.uk

Dividends are paid by the registrar on behalf of the Company. Shareholders, who wish to have dividends paid directly into their bank account rather than by cheque to their registered address, can complete a mandate form for this purpose (forms can be downloaded from www.capitaassetservices.com). Queries relating to dividends, shareholdings and requests for mandate forms should be directed to the Company's Registrar, Capita Asset Services, on 0871 664 0324 (calls cost 10p per minute plus network extras, lines open 8:30am to 5:30pm Monday to Friday), or by writing to them at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Share price

The Company's share price can be found on various financial websites with the TIDM/EPIC code **EDV**. A link to the share price is also available on Elderstreet Investment Limited's website (www.elderstreet.com) and on Downing LLP's website (www.downing.co.uk).

Latest share price 27 August 2015: 57.5p per share

Share scam warning

We have become aware that a significant number of shareholders of VCTs have recently received unsolicited telephone calls from a company purporting to be acting on behalf of a client who is looking to acquire their VCT shares at an attractive price. We believe these calls to be part of a "Boiler Room Scam". **Shareholders are warned to be very suspicious if they receive any similar type of telephone call.**

Further information can be found on Downing's website under "Existing Investments". If you have any concerns, please contact Downing on 020 7416 7780.

Shareholder information is continued on the inside back cover

CHAIRMAN'S STATEMENT

I am pleased to present the Half-Yearly Report for Elderstreet VCT plc for the six month period ended 30 June 2015.

Net asset value, results and dividends

At 30 June 2015, the Company's net asset value ("NAV") per share stood at 67.5p, an increase of 4.2p or 5.9% since 31 December 2014 after adjusting for the total dividends of 7.5p per share paid during the period.

The return on activities after taxation for the period was £1.4 million (2014: £4.0 million), comprising a revenue return of £340,000 and a capital return of £1.1 million.

An interim dividend of 2.5p per share will be paid on 11 December 2015 to Shareholders on the register at 6 November 2015.

Venture capital investments

The majority of investment activity during the period was in follow-on investments into existing portfolio companies.

A further investment of £500,000 was made in Access Intelligence to assist in funding an acquisition. Also, £230,000 was invested in AngloINFO Limited and £150,000 in Concorde Solutions Limited as working capital for further development of the businesses.

There were a small number of disposals during the period. The holding in Mears Group plc was sold in full, realising a gain of £52,000. Also, a further retention payment was received in respect of Wessex Advanced Switching Products ("WASP"), the investment that was sold in 2014, generating a further gain of £440,000. Total gains for the period were £492,000 from proceeds of £881,000.

At the period end, the Board reviewed the unquoted investment valuations and made some minor adjustments. Within the AIM-quoted investments there were some significant moves over the period, with Access Intelligence plc increasing by £625,000 and Fulcrum Utility Services Limited by £291,000. Overall the full portfolio showed net unrealised gains of £880,000 over the six months.

At the period end, the Company held a portfolio of 23 venture capital investments, valued at £19.1 million.

Fixed income securities

The Company continues to hold a small portfolio of fixed income investments which is managed by Smith & Williamson. The portfolio, valued at £1.5 million at the period end, recognised unrealised capital losses of £5,000 and produced income of £9,000 in the period.

Fundraising and share issues

During the period, the Company issued 640,225 new shares at an average price of 71.8p per share under the offer for subscription that launched in October 2015. The offer closed being fully subscribed in April and having raised a total of £2.2 million.

The Company also issued 388,198 new shares under the Special Dividend Reinvestment Scheme on 30 June at a price of 66.6p per share.

Share buybacks

The Company has a policy of buying in shares that become available in the market at approximately a 7.5% discount to the latest published net asset value (subject to applicable regulations and liquidity considerations).

In line with this policy, in May 2015, the Company purchased 180,000 shares for cancellation for an aggregate consideration of £133,000 at a price of 63.0p per share.

Any Shareholders who are considering selling their shares will need to use a stockbroker. Such Shareholders should ask their stockbroker to register their interest in selling their shares with Shore Capital, who act as the Company's corporate broker.

CHAIRMAN'S STATEMENT (continued)

VCT regulations

In the recent Summer Budget, a number of new VCT regulations were announced which could have a significant impact on the future investment activity for some VCTs. We understand that the changes are being made in order to secure approval from the European Commission that the VCT scheme remains within the Commission's State Aid regime.

The proposed new rules introduce a limit on the age for most new investee companies of seven years, a lifetime cap of £15 million on the total amount of VCT and similar funding a company can receive and a ban on VCT funds being used by an investee company to acquire another trade or business. The new proposed regulations are not yet finalised and so there is currently some uncertainty as to the final form they will take and the date they will commence, although we believe this will be from the date of Royal Assent of the Finance Bill, which is expected in October 2015.

As the Company has often invested in young business which will not be excluded by the proposed new regulations, the Manager does not believe that the changes are likely to have a significant impact on Elderstreet VCT. However, the Board and Manager will continue to monitor the situation and will update Shareholders if there are any major unforeseen developments.

Outlook

Over the last 18 months, the portfolio has delivered a solid performance allowing the Company to pay total dividends of 26.5p per share. The Board remains satisfied with the portfolio and believes that a number of the investments continue to have good prospects for further growth.

Although the proposed new VCT rules may place some new restrictions on the investments that the Company can make, the Manager believes that it will be able to continue to source suitable new opportunities. Assuming that this remains the position, the Company may consider launching a further fundraising offer later in the year.



David Brock
Chairman

28 August 2015

SUMMARY OF INVESTMENT PORTFOLIO

as at 30 June 2015

	Cost £'000	Valuation £'000	Valuation movement in period £'000	% of portfolio by value
Top ten venture capital investments				
Smart Education Limited	90	3,600	-	15.3%
Fords Packaging Topco Limited	2,882	3,235	-	13.8%
Access Intelligence plc *	2,333	2,732	625	11.6%
Baldwin & Francis Limited	1,534	2,498	-	10.6%
Lyalvale Express Limited	915	1,598	-	6.8%
Concorde Solutions Limited	900	917	17	3.8%
AngloINFO Limited	1,634	888	52	3.8%
Macranet Limited	863	862	-	3.7%
Fulcrum Utility Services Limited *	500	604	291	2.6%
SnackTime plc *	1,775	603	(9)	2.6%
	<u>13,426</u>	<u>17,537</u>	<u>976</u>	<u>74.6%</u>
Other venture capital investments	3,774	1,590	(91)	6.8%
Fixed income securities	<u>1,516</u>	<u>1,540</u>	<u>(5)</u>	<u>6.5%</u>
	<u>18,716</u>	<u>20,667</u>	<u>880</u>	<u>87.9%</u>
Cash at bank and in hand		<u>2,847</u>		<u>12.1%</u>
Total investments		<u>23,514</u>		<u>100.0%</u>

All venture capital investments are unquoted unless otherwise stated.

* Quoted on AIM

SUMMARY OF INVESTMENT MOVEMENTS

for the six months ended 30 June 2015

Additions

£'000

Venture capital investments

Access Intelligence plc	500
AngloINFO Limited	230
Concorde Solutions Limited	150
	<u>880</u>

Disposals

	Cost £'000	Value at 1 January 2015 £'000	Proceeds £'000	Profit/ (loss) vs cost £'000	Realised profit £'000
Venture capital investments					
Mears Group plc	188	298	350	162	52
Proxama plc	30	21	21	(9)	-
Smart Education Limited	70	70	70	-	-
	<u>288</u>	<u>389</u>	<u>441</u>	<u>153</u>	<u>52</u>
<i>Retention proceeds</i>					
Wessex Advanced Switching Products Limited	-	-	440	440	440
	<u>288</u>	<u>389</u>	<u>881</u>	<u>593</u>	<u>492</u>

UNAUDITED BALANCE SHEET

as at 30 June 2015

	Note	30 Jun 2015 £'000	30 Jun 2014 £'000	31 Dec 2014 £'000
Fixed assets				
Investments		20,667	17,812	19,295
Current assets				
Debtors		125	3,632	3,704
Cash at bank and in hand		2,846	5,853	1,562
		2,971	9,485	5,266
Creditors: amounts falling due within one year		(244)	(207)	(792)
Net current assets		2,727	9,278	4,474
Net assets		23,394	27,090	23,769
Capital and reserves				
Called up share capital	7	1,733	1,519	1,678
Capital redemption reserve	8	474	464	465
Merger reserve	8	1,828	1,882	1,882
Share premium	8	3,743	856	2,908
Special reserve	8	2,592	4,531	2,991
Capital reserve - unrealised	8	5,671	3,844	4,908
Capital reserve - realised	8	6,792	13,764	8,713
Revenue reserve	8	561	230	224
Equity shareholders' funds	6	23,394	27,090	23,769
Basic and diluted net asset value per share	6	67.5p	89.2p	70.8p

UNAUDITED INCOME STATEMENT

for the six months ended 30 June 2015

	Six months ended 30 Jun 2015			Six months ended 30 Jun 2014			Year ended 31 Dec 2014
Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	529	-	529	232	-	232	544
Gains/(losses) on investments:							
- realised	-	492	492	-	4,323	4,323	4,510
- unrealised	-	880	880	-	(132)	(132)	381
	<u>529</u>	<u>1,372</u>	<u>1,901</u>	<u>232</u>	<u>4,191</u>	<u>4,423</u>	<u>5,435</u>
Investment management fees	(59)	(178)	(237)	(60)	(180)	(240)	(511)
Performance incentive fees	-	(107)	(107)	-	-	-	(991)
Other expenses	(133)	-	(133)	(144)	-	(144)	(269)
Return on ordinary activities before taxation	337	1,087	1,424	28	4,011	4,039	3,664
Taxation	-	-	-	-	-	-	-
Return attributable to equity shareholders	4	337	1,087	4	28	4,011	4,039
Basic and diluted return per share	4	1.0p	3.2p	4.2p	0.1p	13.1p	13.2p
							11.9p

All Revenue and Capital items in the above statement derive from continuing operations. The total column within the Income Statement represents the profit and loss account of the Company.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the six months ended 30 June 2015

	Note	30 Jun 2015 £'000	30 Jun 2014 £'000	31 Dec 2014 £'000
Opening Shareholders' funds		23,769	23,977	23,977
Issue of shares		640	-	1,527
Issue of shares under Dividend Reinvestment Scheme		258	-	685
Share issue costs		(9)	-	(8)
Purchase of own shares	7	(113)	(319)	(319)
Total recognised gains in the period		1,424	4,039	3,664
Dividends	5	(2,575)	(607)	(5,757)
Closing Shareholders' funds	6	<u>23,394</u>	<u>27,090</u>	<u>23,769</u>

UNAUDITED CASH FLOW STATEMENT

for the six months ended 30 June 2015

		Six months ended 30 Jun 2015 £'000	Six months ended 30 Jun 2014 £'000	Year ended 31 Dec 2014 £'000
	Note			
Net cash inflow/ (outflow) from operating activities and returns on investments	9	<u>2,945</u>	<u>(19)</u>	<u>(431)</u>
Capital expenditure				
Purchase of investments		(876)	(2,036)	(3,880)
Sale of investments		<u>881</u>	<u>7,278</u>	<u>8,362</u>
Net cash inflow from capital expenditure		<u>5</u>	<u>5,242</u>	<u>4,482</u>
Equity dividends paid		<u>(2,584)</u>	<u>(607)</u>	<u>(5,790)</u>
Net cash inflow/(outflow) before financing		366	4,616	(1,739)
Financing				
Proceeds from share issue		782	-	1,380
Proceeds from shares issued under Dividend Reinvestment Scheme		258	-	685
Share issue costs		(9)	-	(1)
Purchase of own shares		<u>(113)</u>	<u>(319)</u>	<u>(319)</u>
Net cash inflow/(outflow) from financing		<u>918</u>	<u>(319)</u>	<u>1,745</u>
Increase in cash	10	<u><u>1,284</u></u>	<u><u>4,297</u></u>	<u><u>6</u></u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the six months ended 30 June 2015

1. The unaudited half yearly financial results cover the six months to 30 June 2015 and have been prepared in accordance with the accounting policies set out in the statutory accounts for the year ended 31 December 2014, which were prepared under UK Generally Accepted Accounting Practice and in accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" revised January 2009.
2. The Company has only one class of business and derives its income from investments made in shares, securities and bank deposits.
3. The comparative figures are in respect of the six months ended 30 June 2014 and the year ended 31 December 2014 respectively.

4. Basic and diluted return per share

	Six months ended 30 Jun 2015	Six months ended 30 Jun 2014	Year ended 31 Dec 2014
Return per share based on:			
Net revenue gain for the period (£'000)	<u>337</u>	<u>28</u>	<u>147</u>
Capital return per share based on:			
Net capital gain for the period (£'000)	<u>1,087</u>	<u>4,011</u>	<u>3,517</u>
Weighted average number of shares	<u>34,046,369</u>	<u>30,648,942</u>	<u>30,865,652</u>

5. Dividends

		Six months ended 30 Jun 2015			Year ended 31 Dec 2014
	Per share pence	Revenue £'000	Capital £'000	Total £'000	Total £'000
Paid in the period					
2015 Special	5.0	-	1,714	1,714	-
2014 2 nd interim	2.5	-	861	861	-
2014 Interim	2.0	-	-	-	626
2014 Special	15.0	-	-	-	4,556
2013 Final	2.0	-	-	-	607
Release of historic unclaimed dividends		-	-	-	(32)
		<u>-</u>	<u>2,575</u>	<u>2,575</u>	<u>5,757</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2015

6. Basic and diluted net asset value per share

	Six months ended 30 Jun 2015	Six months ended 30 Jun 2014	Year ended 31 Dec 2014
Net asset value per share based on:			
Net assets (£'000)	<u>23,394</u>	<u>27,090</u>	<u>23,769</u>
Number of shares in issue at the period end	<u>34,660,694</u>	<u>30,372,438</u>	<u>33,561,433</u>
Net asset value per share	<u>67.5p</u>	<u>89.2p</u>	<u>70.8p</u>

7. Called up share capital

	Six months ended 30 Jun 2015	Six months ended 30 Jun 2014	Year ended 31 Dec 2014
Ordinary shares of 5p each			
Number of shares in issue at the period end	<u>34,660,694</u>	<u>30,372,438</u>	<u>33,561,433</u>
Nominal value (£'000)	<u>1,733</u>	<u>1,519</u>	<u>1,678</u>

During the period, the Company purchased 180,000 shares for cancellation for an aggregate consideration of £113,400 at a price of 63.0p per share (approximately equal to an 11.0% discount to the most recently published NAV at the time of purchase) and representing 0.5% of the issued share capital in issue at 1 January 2015.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2015

8. Reserves

	Capital redemption reserve £'000	Merger reserve £'000	Share premium £'000	Special reserve £'000	Capital reserve- unrealised £'000	Capital reserve- realised £'000	Revenue reserve £'000
At 1 January 2015	465	1,882	2,908	2,991	4,908	8,713	224
Issue of new shares	-	-	596	-	-	-	-
Issue of new shares under Dividend Reinvestment Scheme	-	-	239	-	-	-	-
Share issue costs	-	-	-	(9)	-	-	-
Purchase of own shares	9	-	-	(114)	-	-	-
Expenses capitalised	-	-	-	-	-	(285)	-
Gains on investments	-	-	-	-	880	492	-
Realisation of fair value assets previously acquired	-	(54)	-	-	-	54	-
Transfer between reserves	-	-	-	(276)	(117)	393	-
Dividends paid	-	-	-	-	-	(2,575)	-
Retained net revenue for the period	-	-	-	-	-	-	337
At 30 June 2015	474	1,828	3,743	2,592	5,671	6,792	561

The special reserve is available to the Company to enable the purchase of its own shares in the market without affecting its ability to pay dividends, and also allows the Company to write back realised capital losses arising on disposals and impairments.

Distributable reserves are calculated as follows:

	Six months ended 30 Jun 2015 £'000	Six months ended 30 Jun 2014 £'000	Year ended 31 Dec 2014 £'000
Special reserve	2,592	4,531	2,991
Capital reserve - realised	6,792	13,764	8,713
Revenue reserve	561	230	224
Merger reserve – distributable element	477	477	477
Unrealised losses			
– excluding unrealised unquoted gains	(678)	(1,071)	(1,488)
	<u>9,744</u>	<u>17,931</u>	<u>10,917</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2015

9. Reconciliation of return on operating activities before taxation to net cash flow from operating activities

	Six months ended 30 Jun 2015 £'000	Six months ended 30 Jun 2014 £'000	Year ended 31 Dec 2014 £'000
Return on ordinary activities before taxation	1,424	4,039	3,664
Gains on investments	(1,372)	(4,191)	(4,891)
Decrease in other debtors	3,437	164	215
(Decrease)/increase in other creditors	(544)	(31)	581
Net cash inflow/(outflow) from operating activities	<u>2,945</u>	<u>(19)</u>	<u>(431)</u>

10. Analysis of changes in cash at bank and in period

	Six months ended 30 Jun 2015 £'000	Six months ended 30 Jun 2014 £'000	Year ended 31 Dec 2014 £'000
Beginning of period	1,562	1,556	1,556
Net cash inflow	<u>1,284</u>	<u>4,297</u>	<u>6</u>
End of period	<u>2,846</u>	<u>5,853</u>	<u>1,562</u>

11. Risks and uncertainties

Under the Disclosure and Transparency Directive, the Board is required in the Company's half-yearly results to report on principal risks and uncertainties facing the Company over the remainder of the financial year.

The Board has concluded that the key risks facing the Company over the remainder of the financial period are as follows:

- investment risk associated with investing in small and immature businesses;
- liquidity risk arising from investing mainly in unquoted businesses; and
- failure to maintain approval as a VCT.

In all cases the Board is satisfied with the Company's approach to these risks. As a VCT, the Company is forced to have significant exposure to relatively immature businesses. This risk is mitigated to some extent by holding a well-diversified portfolio.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued) for the six months ended 30 June 2015

11. Risks and uncertainties (continued)

With a reasonably illiquid venture capital investment portfolio, the Board ensures that it maintains an appropriate proportion of its assets in cash and liquid instruments.

The Company's compliance with the VCT regulations is continually monitored by the Administration Manager, who regularly reports to the Board on the current position. The Company also retains Robertson Hare LLP to provide regular reviews and advice in this area. The Board considers that this approach reduces the risk of a breach of the VCT regulations to a minimal level.

12. Going concern

The Company has considerable financial resources at the period end, and holds a diversified portfolio of investments. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Directors have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

13. The Directors confirm that, to the best of their knowledge, the half-yearly financial statements have been prepared in accordance with the "Statement: Half-Yearly Financial Reports" issued by the UK Accounting Standards Board and the half-yearly financial report includes a fair review of the information required by:

- (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the current financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
- (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period, and any changes in the related party transactions described in the last annual report that could do so.

14. The unaudited financial statements set out herein do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 and have not been delivered to the Registrar of Companies. The figures for the year ended 31 December 2014 have been extracted from the financial statements for that year, which have been delivered to the Registrar of Companies; the Auditor's report on those financial statements was unqualified.

15. Copies of the unaudited half-yearly results will be sent to Shareholders shortly. Further copies can be obtained from the Company's registered office or downloaded from www.elderstreet.com and www.downing.co.uk.

SHAREHOLDER INFORMATION (continued)

Selling shares

The Company's shares are listed on the London Stock Exchange and can be bought or sold like any other listed shares using a stockbroker. If you wish to sell your shares, you should ask your stockbroker to contact Shore Capital, who act as the Company's Corporate Broker.

The Company will usually buy back shares several times each year. If you have any queries regarding the process, please contact the Administration Manager, Downing LLP on 020 7416 7780. Any Shareholder considering selling some or all of their shareholding should ensure that they are fully aware of any tax consequences, especially if they purchased shares within the last five years or took part in the Enhanced Share Buyback offer. If you are in any doubt please contact your financial adviser.

Notification of change of address

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

Other information for Shareholders

Up-to-date Company information (including financial statements, company announcements and share price) may be obtained from Downing's website at www.downing.co.uk. Financial information is also available on Elderstreet Investment Limited's website at www.elderstreet.com by clicking on "investor information".

If you have any queries regarding your shareholding in Elderstreet VCT plc, please contact the Registrar on 0871 664 0324 or visit Capita's website at www.capitaassetservices.com and click on "Products and Services" and then "Shareholders".

Directors

David Brock (Chairman)
Hugh Aldous
Barry Dean
Michael Jackson
Nicholas Lewis

Company Secretary and Registered Office

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